



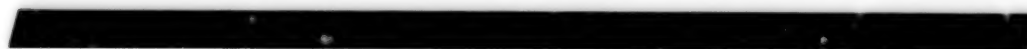
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CENTRAL EURASIA



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ARMENIA

Liparityan Views Karabakh Peace Process

944K1191A Yerevan RESPUBLIKA ARMENIYA
in Russian 4 May 94 pp 1-2

[Interview with Zhirayr Liparityan, Armenian Republic deputy minister of foreign affairs, by Ida Martirosyan, under the rubric "War and We"; place and date not given: "The Possible and the Necessary"]

[Text] **The possible and the necessary—these are the premises on which we should base our actions in order to shift to more complex issues—is the opinion of Zhirayr Liparityan, Armenian Republic deputy minister of foreign affairs.**

[Martirosyan] Mr. Liparityan, in your opinion, is the peacekeeping process progressing, regressing, or not going anywhere?

[Liparityan] Most likely, the latter. Although of course there is a certain progress, and certain retreat. For instance, Azerbaijan does not accept any mediating efforts, any cease-fire. It is ready for a new offensive and de facto continues the war, air raids—that is, Azerbaijan's position is evidence of the lack of progress in the peacekeeping process. On the other hand, the CSCE has become more active.

Mr. Eliasson has sufficiently analyzed previous mistakes and now is demonstrating a new approach, which inspires certain hopes. That is, as you can see, there are both pluses and minuses, so we may say that as a result they neutralize one another or, in other words, there is no particular progress. At the same time, the opportunities for it undoubtedly exist. To carry them through, however, one has to work hard, in order to first and foremost identify where and how they could be utilized. I would count as an unquestionable achievement the fact that the main parties in the conflict—Azerbaijan and Karabakh—finally came to understand that the problems cannot be resolved in a military way and the process of peaceful settlement remains the only viable option. This may be done within the CSCE framework, the way Eliasson suggests. It could be the Russian initiatives. It is an inarguable fact that Russia as the country in closest proximity, which has a stake in normalizing the situation in the region and has ties with all parties to the conflict, may play a very significant role. We hope in any case that Eliasson will be able to combine the efforts of both the CSCE and Russia, which undoubtedly is ready for it. In this case we will be able to speak of moving toward progress.

[Martirosyan] Some Western political scientists and journalists believe that despite the fact that the West had certain interests and plans here, its initially active position on the Karabakh issue is on the wane, and that in the final count the outcome will be determined by Russia. In Russia, however, there is a belief that instead of showing activism in the peacekeeping process—which

is within the abilities of the CSCE, and United Nations, and the United States—the West does not miss the occasion to throw sticks in the wheels of Russian initiatives. Would it be fair to say that this disjointedness and asynchronicity, which stems from a certain divergence of their interests, is in fact one of the reasons producing the lack of clear progress in settling the conflict?

[Liparityan] Your concern over this is understandable and justified in a sense that relations between the West and Russia are far from clear-cut. Several years ago they were perceived differently, as more difficult. After the disintegration of the USSR and especially now, when the policy of Russia as a state is more clearly defined, many aspects are becoming more clear. And especially how Russia itself sees its place in the world. This is also a multistep process, in which the West does not always understand or accept Russia's position and, vice versa, Russia also does not always correctly perceive the former's intentions. They are both in the process of getting to know one another. There is no doubt, however, that an understanding will come, their positions will get mutually fine-tuned, and they will adjust. One can already see it in the example of Bosnia, where we are seeing precisely this stage of fine-tuning, a step toward cooperation between Russia and the West. Let us hope that this will happen here, too.

I must say that newspaper items and even statements of some politicians and diplomats sometimes [line illegible] actions. And I repeat, they reflect not so much the probability of events as the deep fear of the worst. Although there is nothing particularly terrible in it; on the contrary, this is like a warning of danger. It is clear, however, that one cannot form a judgment of the real policy from them. Russia has an image of the country that is quite responsible in its policy and actions. And, I repeat, both Russia and the West are moving step by step [line illegible] all, where each will take its place in a new set-up. Therefore I have no doubt that Russia will not act against international law, the CSCE, and the United Nations; on the contrary, together we will find an approach to settling our conflict. By the way, do not forget that even when there exist apparent similarities, each conflict has its own character and therefore requires a special approach to its resolution. I must say that this is precisely the direction in which our diplomacy is working: finding common points in the interests of Russia and the West in order to strengthen their interaction and impact on the fastest possible resolution of the problem. This is the main approach. Of course, there are disagreements not only between Russia and the West as a whole, but also in the approaches favored by the United States and the EC. But they are not substantive. Thus, I repeat, everything boils down to painstaking work, and I am convinced that mutual understanding is inevitable.

[Martirosyan] Do you consider correct an approach that makes cease-fire a cornerstone and only then a search for

a peace formula? Perhaps it would be more correct to put the latter ahead of the former, or act in parallel in both directions?

[Liparityan] We have discussed this issue in great depth, and not only we but other states as well. From the methodological aspect, there are three approaches. The first is a simple cease-fire. Then, in several phases, resolution of other issues.

The second is to first define the status and after that cease-fire and everything else. The first approach is unrealistic, because Azerbaijan does not accept it. They are afraid that in the current reality the issue of returning the seized territories will be postponed until further negotiations. Therefore, it agrees to a simultaneous cease-fire and return of seized territories. The first option alone does not suit it. We and Karabakh are ready to accept the first option, but, as I said, we know that for Azerbaijan it is unacceptable. As to the second—to start with the status—in our opinion, this will lead to exacerbation of the conflict because there are tremendous principal disagreements between the parties precisely on this issue. And there is deep mutual mistrust. Therefore, it is simply naive to assume that under this option the parties will be able to come to an agreement. Thus, our approach is in working from the premise of what is possible and necessary. To find these components [line illegible] move over to more complex issues. Our package consists of three points that meet the requirements of possible and necessary. It is cease-fire, the return of seized territories, and lifting the blockade. All of this is spelled out in the CSCE's Vienna document and the Russian initiative. The problem is that there is no guarantee for a cease-fire without some disengaging forces. We cannot trust Azerbaijan. A cease-fire must be stable and guaranteed. If a cease-fire is guaranteed, we guarantee the return of the territories. Without Lachin, of course, which is subject to further negotiations, because for Karabakh it is a lifeline. And lastly, lifting the blockade. These three points as a package, in our opinion, are the most acceptable and realistic solution. But to consider it all even in parallel with the issue of status, I think, albeit possible, is fraught [as published] because unresolvable issues associated with it will immediately arise. It means that we have to admit that the issue of status—and it is this issue that in the final count constitutes the cornerstone of the peace formula—is the most difficult one and it is not advisable to give it priority. You see, there is one more serious nuance in the issue of defining the status: More weight will be given to the voice of the party that will rake up more military victories by the time of negotiations. Subsequently, this will reduce the guarantees of a real cease-fire process. Which is the most important point. A cease-fire is necessary in order to stop bloodshed; in order for people to return to normal life, taste it again, and realize that nobody will benefit from an endless war between peoples living side by side; and finally, in order to reduce domestic pressure for both sides and for simple human desire for normal peaceful life to prevail. And perhaps it

is after the cease-fire, during the period of returning to normal life, that people will find those ways and possibilities for coexistence that we cannot find now. They will reach compromises they now consider unthinkable. That is why I am saying that right now the most important part is to apply all efforts in order to implement the three conditions I have enumerated above.

[Martirosyan] Over these years, the conflict has gone through several stages. Initially it was between a republic and its autonomy within the boundaries of one state; then it was considered internal within the framework of one newly formed sovereign state, although in essence it was between one recognized state and another one claiming recognition. Now it has transcended into an international stage, although the world community seemed to try to avoid precisely that. Judging by all signs, however, the world community does not take into account this transformation, because otherwise the legal aspect of approaching the settlement would have been changed. Could this perhaps be the reason why the peacekeeping process is not moving anywhere: the lack of a fresh look, a new legal approach to the conflict, which is going through transformation during its development, which stem from objective changes on the political situation?

[Liparityan] You see, internalization of this problem also has gone through several stages. The first was the result of the collapse of the USSR, when it changed from being an internal problem of the latter to an external one, because one of the interested parties, in addition to the ones directly involved, was a sovereign state—Armenia. The second happened at the point when Armenia and Azerbaijan joined the CSCE as members. A CSCE mandate dated 24 March 1992 was adopted that said that the resolution of this conflict must be found through mediating efforts of the CSCE. The third stage is when Azerbaijan called in mujahidin and other contract soldiers. What I want to say is that there have not been any particular legal changes but there obviously have been certain political ones. For instance, now the United Nations has entered the process—an organization which, unlike the CSCE, has its own military contingent and the right to bring it into a territory where certain events take place, and without the consent of the parties to the conflict at that. That is, it is a certain qualitative change in the political approach.... But, I repeat, there are no such changes in the legal aspect. There is still no decision, a CSCE or UN document, presenting the issue differently.

[Martirosyan] Still, in your opinion, is a change in the approach on the part of the world community needed?

[Liparityan] You see, in a certain form it already has happened. The CSCE has realized that by its very structure it does not possess the capabilities of implementing the decisions entrusted to a peacekeeping mission or group under its aegis. I mean the process of cease-fire. In some decisions the CSCE has acknowledged that by very [as published]. The result of this

realization was that Russia directly joined in on the issue. In reality, it already has happened, although officially the CSCE does not say that it is no longer engaged in the issue of cease-fire. Both the numerous statements of the Minsk Group chairman and UN resolutions mention the mediating part of Russian peacekeeping forces in the cease-fire process. This is happening both de facto and de jure, since there exist corresponding UN resolutions. That is, as you can see, when it is obvious that the CSCE does not possess the ability to influence one or another process, it steps aside, handing this right over to whoever has the real ability. In this respect Mr. Eliasson has a very clear position, more active: If Russia can do it, let it happen, while we will send our observers.

[Martirosyan] Mr. Gilmore believes that the question of bringing in the troops is not as simple as it may seem, especially in such a protracted and bloody conflict as that of Karabakh, and that it is unlikely to be a panacea. Besides, he says it is a question of time, since numerous issues involving the status and mandate of such a contingent must be resolved—from their rights and duties to subordination and financing. Meanwhile, there are many who do believe that without a disengaging military contingent, resolution and observers alone will not guarantee real compliance with the terms of cease-fire. You have said earlier in this interview that you support the priority of cease-fire and everything else should come later. Does it mean that even this—provided that a peacekeeping contingent does need to be brought in—now will be delayed under the pretext of defining the status of the latter?

[Liparityan] Mr. Gilmore undoubtedly is correct when he mentions the problems associated with the mandate. There are, however, forms, accepted by the international community, when this can be dispensed with. For instance, CSCE rules envisage an option of bringing in third-country peacekeeping forces without a special CSCE mandate. We do not see any particular problem in whether these troops will have a CSCE or UN mandate (although of course it would be good) or whether it would be a contingent supplied by the third country. The main item is the scope of their authority. This is what should be in the center of discussion—not the formalities aimed at dragging out the process.

[Martirosyan] Do you not think that Armenia's participation in the negotiations' process contributed to a certain degree to its even greater involvement in the conflict as a directly interested party? In any case, this is the way it looks—on one hand, we proclaim that we do not participate in the war and, on the other, sit at the negotiations table. If the former is true, why is Turkey, for instance, not sitting next to us, since they have certain relations with Azerbaijan, or Russia for which this role is more fitting as a legal successor to the USSR than the role of a mere peace keeper? Perhaps if Armenia had not taken upon itself originally the mission of representing Karabakh in the negotiations process, the

world community would have been compelled to recognize Karabakh as an independent side in the negotiations sooner, since they had to be conducted with someone.

[Liparityan] Armenia participates because its territory is under attack. This is one aspect of our participation. And the second is that we have a direct stake in the security of Karabakh, which is populated by our kin. And finally, the foremost reason for our participation was that at the time the negotiation process began, Karabakh was not recognized by the world community as a subject with an independent right to participate in negotiations. So we had to undertake it. Armenian officials, unlike the ones of the Nagorno-Karabakh Republic, had the official right to represent Karabakh's interests, and simply speak for it at official meetings at an international level in various countries and organizations. Although of course one could speak of some form of participation by Turkey as an interested party as well. For us, however, what is important is not formality but the work, its results. Now Karabakh participates in this process. Now that this process has started, our role should gradually diminish from that moment on.

[Martirosyan] Do you believe that as a result of negotiations we have come even a step closer to ending the war and that something still needs to be changed in the world community's approach to the Karabakh conflict in order to speed up its resolution?

[Liparityan] In my opinion, I have already answered quite fully the second part of the question. The international community must apply a certain effort and pressure on Azerbaijan to make it accept one of the options. And second—the international community must combine its efforts. That is, Russian and the CSCE must interact at least to make the former happen—exert influence on Azerbaijan. After all, look, both we and Karabakh are coming up with peace initiatives. Azerbaijan, on the other hand, keeps coming up with delays. On the other hand, it is obvious that its complex domestic situation does not allow those healthy aspirations for peace—which probably do exist there, but do not have the opportunity to manifest themselves—to come through. In short, in order for the peacekeeping process to proceed more actively, we need greater activism by the world community. Everything that depends on us we already do.

Liparityan Comments on Trips to Turkey, Iran
944K1132 Yerevan AZG in Armenian 8 Mar 94 p 4

[Interview with First Deputy Foreign Minister Zhirayr Liparityan in Yerevan; date not specified]

[Text] Zhirayr Liparityan, first deputy minister of foreign affairs, recently returned from a working tour of Russia, France, Turkey and Iran. What were the results? What issues were discussed? What changes were observed? These are the topics our correspondent discussed with the first deputy minister in an interview.

[Liparityan] Our principal goal was to convey to those countries our view of the present situation which was created as a result of the developments of recent months and to hear their assessments. When I was in the United States in January, I was able to convey our approaches to officials of the State Department. At that time I also met with Jan Eliason, the chairman of the Minsk Group of the CSCE. Let me note with regard to this trip that we discussed the issue of the development of bilateral relations with Iran. Although we do not have bilateral relations with Turkey, we agreed that we must reinstate the direct ties that were cut following the recent occupation of [Azerbaijani] territories.

[AZG] Last year you visited Turkey again and, if I am not mistaken, at that time you noted a certain understanding in the Turks' position. Of course one cannot expect any change of position on matters of principle, but did you notice any movement in terms of the correct perception of the [Armenian-Azeri] conflict?

[Liparityan] I think that there is such a movement. Our meetings were all working meetings. We were very interested in knowing the results of [Azerbaijani President Haydar] Aliyev's visit to Turkey. The Turks intend to back Azerbaijan's approaches, at least officially. When Azerbaijan began to respond negatively to all the proposals put forward, the Turks reaffirmed that Azerbaijan has the right to do that. Turkey's position is also that [Armenia] should withdraw from the [occupied] territories. During our talks we focused on that issue in greater detail and pointed out that it is impossible to solve the Azerbaijani problem with that approach.

First, our position is that the problem is not one of territory because both Nagorno-Karabakh and Armenia have endorsed the plan which envisages that they withdraw from those territories—except Lachin which, as a complex problem, must be discussed in the second stage.

We asked why Azerbaijan is raising the issue of territories and is trying to seize by force what it can get without any fighting. Azerbaijan continues to state that it does not wish to discuss the issue of blockades. The Turks agree with these questions we raised. They are also in agreement on the issue of a ceasefire, but they are not so keen about the insertion of peacekeeping forces. We explained to them that the situation is already such that it is doubtful if a ceasefire can be maintained without separating forces.

[AZG] Has there been any movement in Turkey's policy with regard to Azerbaijan?

[Liparityan] I think that the Turks now realize the mistakes they permitted last year during Elchibey's tenure. Now that they see how Aliyev plays with different countries, they do not have the confidence they had during Elchibey's time. At the same time, however, they do not wish to lose their influence over Azerbaijan, and, as a result, do not want to engage in a confrontation with Aliyev. My impression is that Aliyev asked for

many things but did not get much. He demanded much, but promised little. Consequently, the Turks were not very happy with his visit.

[AZG] What is the situation in Iran relative to Turkey?

[Liparityan] In our opinion, Iran's position is more practical. Iran is saying: We will accept and are prepared to contribute to any initiative which works, brings peace and ends the conflict.

[AZG] But Iran persists in speaking out in favor of Azerbaijan's territorial integrity. Also, it has stopped offering its offices for mediation.

[Liparityan] For the present time, Iran has not offered a mediation role. Our opinion is also that at this time what is needed is not a new mediation mission, but to reduce the existing missions and combine them into a single one. The Iranians are prepared to help in any way that the sides propose.

Also, in their newspapers the Iranians refer to changes of borders rather than territorial integrity. In this regard the most severe comments were made by Rohani, the deputy speaker of the Iranian parliament.

I told them that such a question does not exist. Azerbaijan can recover all of its territories if it wishes by agreeing to any peace plan.

[AZG] Did you discuss the issue of the blockade around Armenia with Turkey?

[Liparityan] We did. They have no intention of resolving that problem until the conflict ends and the peace process begins. If that happens they are also prepared to develop bilateral relations.

[AZG] What is the status of Armenian-Iranian relations?

[Liparityan] Those relations were frozen in a political sense. Now things have changed. We even agreed to exchange ambassadors instead of charges d'affaires. For the Iranians what is important is not so much the issue of occupied territories but the establishment of a ceasefire, because they are concerned that all these developments may have an effect on the Azeris living in Iran. However, this must not be interpreted in general that the issue of territories is not of great concern to Iran.

[AZG] You also visited France. What is the position of French diplomats?

[Liparityan] France believes that it is no longer possible to work with the Vienna plan. They think if one of the sides has rejected that plan, the others must work on new approaches. We explained to them that there are a few ways of solving that problem. First we must think about the cessation of hostilities and then move on to the other steps. At present there are two major difficulties. One is that the parties to the conflict do not trust each other. Azerbaijan believes that Karabakh wants to keep the occupied territories or to exchange some of them for

recognition of its status. Karabakh believes Azerbaijan will use any ceasefire to rearm and to resume its offensive. The other difficulty is that there are countries that want to solve other problems. For example, Turkey wants to use this conflict to advance its agenda in Azerbaijan and Central Asia. Although Turkey is interested in ending the conflict it wants to develop its relations with Azerbaijan, and to that end has not established relations with Armenia. Unlike Turkey, the problem Iran wants to solve is not this. It has not predicated the development of its bilateral relations with Armenia on this conflict. In contrast, Turkey has not only refused to establish relations with Armenia, but has taken a position in the conflict which is not rational.

[AZG] What is Russia's position in the wake of recent visits by Kazimirov and Kondratev to the region?

[Liparityan] That is related to the 18 February document. Azerbaijan rejected it at the beginning but agreed to it later. However, there are no practical results because additional meetings are necessary to solve the technical problems.

[AZG] Azerbaijan rejected that plan at the beginning, but they declared later that they accept it. Subsequently it was stated that they rejected it. How can that be interpreted? Are there differences within the Azeri leadership or is it another ploy?

[Liparityan] It can be interpreted in two ways. It seems that there are some differences [within the Azeri government]. On the other hand, they can always agree to it today and reject it tomorrow. When Russia says a few words they say yes. When Russia's envoy returns to Moscow they say no again. Azerbaijan has always had that problem. Its representatives never had the necessary authority during negotiations in the Minsk Group. Even when they agreed to a plan, they reneged on it after they returned to Baku.

We have never had such problems—saying yes first and then saying no.

Citizenship Reportedly Sought for Terrorist

944K1132B Yerevan AZG in Armenian 11 Mar 94 p 2

[Text] We reported in our 26 February issue, based on a report filed by the Noyan Tapan news agency, that "the French authorities officially applied to the Armenian embassy in Paris with two questions: a) Is Armenia prepared to accept Simon Nairian? b) Is Armenia prepared to offer him permanent residence?" Noyan Tapan picked up this news from the Committee for the Defense of Armenian Political Prisoners. A member of that committee, Armenian Supreme Council Deputy Aleksandr Manucharyan, rushed to gather signatures in parliament to appeal to the Armenian president to grant citizenship to one of the principal figures of tragic incident at Orly airport in Paris in 1983. Nairian is now completing the last weeks of his 15-year sentence in a French prison. Manucharyan's initiative is based on the

premise that "if Armenian citizenship is not granted to Nairian, after he is released he will be turned over to Turkish authorities who will definitely hang him." Nairian is a citizen of Turkey where he has been condemned to death in absentia. However, when our correspondent in Paris contacted the Armenian embassy in France to verify these facts he was given an ambiguous answer. He was told that neither the French authorities nor any official person has come to them with any such problem and that they consider the uproar that has been raised in Armenia a tempest in a teacup. What remains unanswered is from where the Committee for the Defense of Armenian Political Prisoners picked up this information and what basis it has for its verity.

Armenian Labor Market, Privatization Viewed

944K1132C Yerevan YERKIR in Armenian 12 Feb 94 p 4

[Article by Davit Tumanyan, candidate of economic sciences and director of the Yerevan Employment Center: "The Labor Market and Employment of the Population in Armenia"]

[Text] The Armenian labor market is characterized by a number of special features:

a) The new type of labor market is in a state of formation which has been proceeding in parallel with the transformation of the economic system together with fuel, raw-material, energy and financial crises as well as the war in Karabakh.

b) A restructuring of the economy, based on new forms of ownership, is under way in the republic. As a result there is a movement of the workforce from the state sector of the economy to the private one. However, the weak private sector cannot absorb the supply of available idle labor. A class of private entrepreneurs and employers who can employ large numbers of workers from the labor market while building or developing production units has not yet formed. The essential and proper conditions to organize production are not yet present in the republic. Only small enterprises are created in which the recruitment of workers is based on ties of friendship or blood.

The number of persons employed by the state sector of the economy in 1993 was 3.2 percent less than what it was in 1992 (1993 figures are estimated). The number of persons employed by the entire economy dropped by a similar amount over the said interval. There have also been significant changes in the structure of labor resources. The relative weight of persons employed in public production declined by 2.8 percentage points while those who are unemployed increased by 3.1 percentage points.

c) The branch structure of the republic's economy has not yet been determined. As a result, the formation of demand for labor is blocked. The resolution of the branch structure policy became essential beginning in

1990 when it was decided to make a transition to a new economic system. However, that was not done. Today work in that direction is slow. The policy on economic branch structure must be in harmony with the republic's resource (both material and labor) potential as well as its internal and external economic, social and military interests. It must reduce the production volume of energy- and material-intensive branches and expand the volumes of labor- and knowledge-intensive branches. Special attention must be paid to the service sector. It must be pointed out that in all developed countries more than half the workforce is employed in the service sector. In those countries, the number of persons employed in the primitive sectors of the economy (agriculture, forestry and fishing) is small (2 to 10 percent of the total workforce). In our republic, 20 percent of the workforce employed in public production is employed in primitive sectors, and 40 percent is employed in the service sector. This distribution must be gradually changed, and the relative weight of the service sector must be increased.

d) The imbalance between the supply of and the demand for labor is associated with the reduction in the overall number of work places. A rigorous inventory of work places in the republic has not been taken. As a result the dynamics of their development can be estimated only on the basis of indirect data. Analyzing the last few years' data for capital investments, the utilization of primary resources and the number of persons employed in the economy as well as the results of individual studies, one can conclude that the number of work places has followed a declining trend since 1991. The number of work places in 1992 was roughly 4 to 6 percent less than in 1990. The qualitative aspect of the correlation between work places and the workforce is characterized by a severe imbalance. Most of the existing work places are incompatible with current scientific and technological standards and Armenia's new situation. The republic must have work places equipped with modern technology and equipment in order to open up to the world market. Unfortunately, most of the basic resources of existing enterprises are fatigued metaphorically and physically. In many work places the basic conditions necessary for work are nonexistent.

e) The low level of wages is aggravating the problems of the labor market. The wage level has also become the important factor which is forcing a large number of employed persons to seek better-paying employment and to change the nature of their work.

f) A portion of the workforce is leaving the republic in a disorganized manner. That has reduced the scale of the problems of the labor market. It must be pointed out that most of those who leave are highly-trained specialists, craftsmen as well as businessmen who could have raised the standard of employment by a certain amount.

g) The role of the labor unions in the organization of the workforce is very poor. Although an agreement was signed between the labor unions and the government last year, no practical results have yet been observed.

h) The presence of a large number of refugees [from Azerbaijan] in the republic has heightened the tensions in the labor market.

In order to visualize the scale of the problems of the labor market in Armenia let us review certain data we have computed. In Armenia, an average of 340,000 to 360,000 persons look for work each year. An overwhelming majority of these people are persons who want to change the type of their work. Of these, 43 percent find work. About 68 percent of unemployed citizens and only 2 percent of those who want to change the type of their work apply to employment centers. On the average, only 25 percent of all persons looking for work apply to employment centers.

As of the beginning of 1993, 67,600 persons were registered at employment centers. Of those, 64,400 were unemployed persons. By the end of 1993, the total number of persons registered at employment centers had risen to 114,000 of which 110,200 were unemployed. At the end of year, the supply of [idle] labor had increased by 68.6 percent compared to the beginning of the year, while the demand for labor had declined by 37.3 percent. Because of the low demand for labor, only 5,400 citizens were placed in work by employment centers in 1993. As of 1 January 1994, more than 102,600 citizens had the status of unemployed. More than 60 percent of the persons with the status of unemployed are women. The number of young unemployed persons is also quite high. The education level of more than half of the unemployed citizens is middle-school education or lower. Those with higher [above high school] education constitute 17 percent of the total.

The labor market in Yerevan is significant because of its large size. Approximately one-third of the republic's population lives in that city. The capital is home to a substantial portion of scientific, cultural, industrial enterprises and agencies of the state apparatus. Also the population of the capital is highly mobile which expands the outer limits of the labor market. The labor market of Yerevan is characterized by severe imbalances. Nearly 90 percent of the jobs offered through the employment centers are worker positions and 10 percent are service positions. The supply of [idle] labor, however, has exactly the opposite distribution. As a result, the number of citizens with the status of unemployed had increased by 11,100 (2.2-fold) at the end of 1993 compared to the beginning of the year.

The [earthquake] disaster zone encompasses 15 districts [rayons] and four cities subject to republican administration. As of 1 January 1993, 25.2 percent of the republic's population lived in this region. Although 5 years have passed since the earthquake of December 1988, the status of reconstruction work is far from being satisfactory. In the conditions that have been created, that work has either come to a stop or continues at a very slow pace. Because few enterprises have been rebuilt and construction work is continually postponed, the level of

unemployment is quite high. The disaster zone accounts for 34 percent of the unemployed persons in the republic.

These figures refer to unemployed persons who are officially registered. There is a large number of hidden unemployed persons in the republic. Generally industrial enterprises either do not work at all or work with interruptions. Those who work in those enterprises are, in effect, unemployed. According to statistical data, 12 to 15 percent of persons employed in the state sector (90,000 to 115,000 persons) were subject to forced layoffs each month in 1993. In industry that figure is as high as 24 to 31 percent (71,000 to 82,000 persons). Hidden unemployment is always present in agriculture. The number of people in that category has grown recently because of the war situation in the border regions. Finally, there is a substantial army of jobless persons amongst the unemployed (migrants, "small vendors," swindlers, etc) and refugees.

When these groups, that is the hidden jobless, are taken into account, the number of unemployed persons in Armenia can be estimated to be 250,000 to 350,000.

The special peculiarities of the workforce in Armenia are likely to persist in the near future. More importantly, in conditions of high rates of currency devaluations it is impossible to keep work places that are not operational. If the phenomenon of hyperinflation penetrates the industrial sector it would be impossible to avoid massive unemployment.

Energy Situation in Republic Viewed

944K1192A Yerevan RESPUBLIKA ARMENIYA
in Russian 4 May 94 pp 1-2

[Article by Ashot Aramyan: "Energy 'Today' Energy 'Tomorrow.' Four-hour limit—'Ceiling' or 'Floor'?"]

[Text] Recently our, shall we say, swimming in luxury, that is, in electric energy, which has begun to remain in our apartments not only for the four "scheduled" hours but also longer, has given people hope for a brighter energy future. In fact, since in practice the delivery of electricity to the homes of the population lasts from 0600 to 1600, is it not possible to increase the schedule for the delivery of electric energy to the population until at least, say, 1800. Some people say: Why do we need a schedule now, let them give us more light without any schedules—and that is all there is to it. But the aspect of a schedule is important in that only these hours are guaranteed by the state: Beyond that there might be light and there might not—and nobody who has received his four hours can complain about the lack of additional energy supply.

The president of the state concern Armenergo, Mels Akopyan, for example, does not rule out the possibility that the surpluses of electric energy that appear will be distributed unequally among the various localities. For instance, in places where operational conditions are created for uniform provision of electric energy to all the

buildings for eight hours, some will receive it for 16 hours, some for 10 hours, and others will receive only the four hours that are guaranteed anyway. Thus raising the "ceiling" of the guaranteed quota of electric energy will probably be disadvantageous for those who have become good at selling these surpluses. It is clear that the greater the scheduled supply, the lesser the surpluses and, correspondingly, the possibilities of various manipulations and machinations.

But there is also the opposite side of the coin. Actually our current relative well-being with respect to energy is in fact extremely tenuous. For example, excessive usage in the gas line could put an end to this immediately—and we would all be sitting as we were during the winter with a zero schedule. So far there are only two scales of differentiated provision of electric energy to the population: the border regions and the republic disaster zone receive 25 percent more electric energy than the quota for the rest, which, incidentally, even here does not preclude abuses in the localities. Because the quota is determined centrally and handed down from Yerevan but the functions of uniform and fair distribution of it are still up to the local energy departments. For example, in Vanadzor, according to the local schedule, the people's homes have light for two out of every five hours (not counting the night hours, when the electric energy might be turned off altogether). After we eliminate the six night hours from the 24 hours of the day, through simple calculations we reach the point where the people of Vanadzor today have light only, four to five hours during the day time. Even worse, according to operational information, the state of affairs in Gyumri, whose population so far can have light for only two hours a day, it sometimes happens, for example, that it is from 12 midnight until 0200....

"We are running into another danger today," says Mels Akopyan, "—insolvency or deliberate refusal to pay for electric energy, on the part of both the enterprises and the population. According to our predictions, this problem will be aggravated even more in a month or two, and its peak will come during the middle of the summer, when it would seem that there should be no special problems with the provision of electric energy. Based on this, the following decision has been adopted: for the appropriate prepayment we can increase the quota of electric energy released to any rayon of the republic or rayon of the city of Yerevan. That is, if you show me a receipt saying that Araratskiy Rayon of the republic has paid for electric energy for 12, 16, or all 24 hours a day during next month, then its quota for energy released will be increased correspondingly. And, conversely, if it continues to underpay, the rayon will be given the minimum according to the schedule, at best...."

Today changes are taking place in the proportions of the sources of electric energy as well. While during the winter, as we recall, the gas ran out a good—or not good—dozen times, and then all the electric energy produced in the republic came from organic fuel (mazut) and it placed a heavy burden basically on the hydraulic

resources, now the fact that the republic is receiving an acceptable amount of the blue fuel has removed some of the load from the exhausted rivers, and mainly from the literally exhausted Sevan, although the proportion of hydroelectric energy in the overall volume of energy produced in the republic is still fairly large.

Now a couple of words about nuclear energy. Today one can say quite simply that the population is faced with one more winter without a nuclear power plant. Deputy Prime Minister V. Chitechyan at his recent news conference stated that even when it is on line the nuclear energy will be used in areas where the turnover and return on capital are high—so as to recoup costs of starting up the Armenian Nuclear Power Plant as quickly as possible, and after that the nuclear energy can help to ease the energy crisis of the actual population. Which areas are these? One can make the assumption, say, that the following scenario will occur: Gas freed up because of the availability of energy from the "atom" could be transferred to Nairit in order to step up the production of products that are in great demand abroad. It would also be possible to give nuclear energy to the complex of copper-molybdenum mining-enriching combines of the republic in order at least to increase the extraction of raw material and then sell it abroad. In a word, there are various possibilities here. One thing is clear: In this breakdown of things the immediate energy needs of the population are in one of the last if not the very last place. Moreover, let us not forget that nuclear energy can create conditions for saving on water of the Sevan. In a word, so far the nuclear power plant is clearly not about us. With the same or greater success we could link our hopes to a partial solution to the energy crisis with the startup of the fifth power block of the Razdanskaya GRES [state hydroelectric power plant], where the problem of financing has already been solved (\$57 million) and at which construction work is now in full swing. So next year the republic, including the energy-producing facilities, will have a fifth block of the hydroelectric power plant with a capacity almost as great as that of the block of the nuclear power plant—300 megawatts. Now, in particular, at the second International Energy Conference in Yerevan, they are working extra hard on the possibilities of financing the construction of a sixth block of the Razdanskaya GRES with the same capacity—300 megawatts. So in any case there are prospects of, if not completely then at least partially, overcoming the energy crisis in the republic, but, alas, not until next year.

In conclusion, a couple of words about the organizational side of the matter. Recently the special-purpose state enterprise Armenergo was transformed into a state concern. What brought this about? Mels Akopyan explains this by the need to improve it and bring it into line with modern requirements for the structure of the department. In particular, the head of the enterprise has now been assigned purely management functions, and the lower levels—greater independence. But here is another fact that is even more difficult to explain. During the winter a good share of the property of

Armenergo was arbitrarily placed at the disposal of the Yerevan City Council and, corresponding, the Yergoelektronet [Yerevan city electric energy network]. Not only was such a decision not written into any laws, it reinforces people's impression that it is now possible to do anything you want to with state property—a circumstance that does not contribute to good feelings.

Georgia, Armenia Sign Railway Agreement

*944K1192B Yerevan RESPUBLIKA ARMENIYA
in Russian 4 May 94 pp 1-2*

[Article by Ruben Karagezyan: "The Problems Are Finding Solutions. Railroad Workers of Armenia and Georgia Work Together"]

[Text] From now on the railroads of Armenia and Georgia will coordinate their cargo shipments without the participation of intermediary firms. Their interference has made transportation work considerably more difficult and caused confusion in the rate policy.

The new principle for the operation of the railroad services of the two neighboring states was backed up by an agreement signed a couple of days ago in Tbilisi—while a government delegation from the Republic of Armenia headed by State Minister G. Martirosyan was there. The delegation discussed a number of issues regarding economic relations and ensurance of the safety of the operation of communications facilities of the two states.

Recently the capital of Georgia has become a kind of Mecca for transportation and communications leaders of the Republic of Armenia. They have been coming here very frequently to coordinate problems of mutual interest, to resolve operational issues related to cleaning up after the blowing up of the gas line, railroad bridges, and a strip of road, as well as other facilities, and to reach agreement regarding crucial problems that are of interest to the two parties.

It is known that for more than a year since withdrawing from the Ministry of Railways the Armenian Railroad has been in a crisis situation. The situation is exacerbated even more by the constantly increasing prices of electric energy, which have gone up almost 50-fold since the beginning of this year. Without state support, the railroad is trying to get out of the situation by itself.

"If we want to keep the railroad we cannot take the path of constantly raising rates for transportation of passengers and freight," said a member of the delegation, chief of the Armenian Railroad Administration Vladimir Asriyants. "This tendency is already having a negative effect on the volumes of transportation and frightening away clients, who prefer to use other means of transportation when they have relatively small volumes of cargo.

"After coordinating the tariff policy with Tbilisi we decided that until the end of the year, regardless of the price increases, we would not change the established rates for freight shipment.

"This meeting enabled us to take another step toward solving other problems and also removing certain obstacles standing in the way of efficient operation of the railroads. For example, we reached mutual understanding regarding an issue so important for us as efficient use of empty equipment. We had been experiencing great difficulties here—hundreds of empty cars in unusable condition were located in various stages of the Georgian railroad. Now, in keeping with the agreement, all of the maintenance of the unused equipment will be handled by the Georgian railroad.

"And there is another detail that is of great significance to us [passage illegible] cars [passage illegible] for Armenia.

"[Passage illegible] work groups for finding these cars on the territory of Georgia and returning them to Armenia. These groups will also determine the value of stolen cargo, which will be compensated for by the Georgian side.

"An agreement was also reached concerning unimpeded unloading of our cargo in the ports of Poti and Batumi. The Armenian Railroad, taking into account the difficulty of the situation in these cities, has sent a diesel engine to Poti to organize the maneuvering work. We are being paid for operating this locomotive.

"In the plan for technical cooperation we agreed, in particular, to do repair work on rolling stock in the plants of Georgia and to jointly repair the tracks between the Sadakhlo-Ayrum stations and also the bridge across the river Khrami.

"Analyzing the statistics concerning the sabotage committed at night, we decided, for purposes of safety of the movement of the trains, to use the road mainly during the day. In conjunction with the Georgian side we are allotting labor and material resources for restoration work. We have developed measures providing for passenger safety and also for changing the schedule for movement of passenger trains, receiving and dispatching cargo, and providing for their storage on the territory of Georgia in extreme situations—explosions, natural disasters."

In conclusion, Vladimir Asriyants said that today, in spite of the sharp increase in the cost of ties and rails and the repair of locomotives, communications, and signalization, centralization, and blocking, the railroad administration is stepping up its work for improving the tracks and other railroad facilities from Yerevan to Ayrum and is preparing them for summer passenger transportation.

Economic Agreement Signed in Austria

944K1192C Yerevan RESPUBLIKA ARMENIYA
in Russian 5 May 94 p 1

[Unattributed report under the rubric "Diplomacy":
"Austria Is Coming Closer"]

[Text] A government delegation of the Republic of Armenia headed by Minister of the Economy of the Republic of Armenia Yegiazaryan was in Austria for several days.

In Vienna they signed an agreement on trade-economic cooperation between the two countries. They also okayed another agreement concerning promotion and protection of foreign investments.

The delegation from Armenia had a meeting with the minister of transportation and nationalized industry of Austria, during the course of which a draft agreement between the two countries in the area of air communications was discussed. The agreement will make it possible to complete flights in the air space of the two countries, use airports, service aircraft, etc. Thus the airline companies will have a legal basis for concretizing their relations with the corresponding agreements.

Delegates from Armenia visited a number of enterprises of the Austrian capital and learned about their activity. Then in the Ministry of Transportation and Nationalization of Industry of Austria, which has jurisdiction over the state enterprises, there was a businesslike discussion of certain mutually advantageous programs.

From the Chamber of Commerce, which essentially unites a number of industrial ministries and enterprises and also performs banking functions, an agreement was reached to the effect that the Austrian side would render to Armenia a certain amount of assistance in the matter of training personnel and encouraging investments.

The trade-economic and other agreements will undoubtedly help in the development and deepening of Armenian-Austrian cooperation.

AZERBAIJAN

Banking Irregularities Detailed

944K1190A Baku EKONOMIKA AZERBAYDZHANA
in Russian 3 May 94 p 1

[Article by A. Yusifova: "Banks Have Been Audited"]

[Text] The Main Administration for Banking Control of the National Bank of Azerbaijan audited 31 commercial and joint stock-commercial banks in the first quarter of 1994.

The audits revealed the following shortcomings: To this day a large amount of indebtedness on loans remains at many commercial banks; unlawful increases in banks' statutory fund, failure of some joint-stock banks to issue stock, absence of registrations by the Ministry of Finance of the republic, violations of the quota of cash holdings, provision of cash services to customers without permission from the National Bank, violations of rules in the process of accepting customer documents, violations of

the economy, standards of banks, failure to meet compulsory reserve requirements, and deficiencies in opening accounts have occurred.

For the most part the absence of letters of guarantee from enterprises which are indebted to the banks, guarantees of security for personal property, and other credit guarantees, as well as the absence of control over the use of the credit issued were the reasons for the violations.

Besides, it was noted that the founders of the Naftabank commercial bank have contributed to the statutory fund 460,000 manats out of the funds issued to them as a loan. Five other commercial banks have violated the percentage ratio for contributing monies to the statutory fund (it should be no greater than 12 percent). Some banks were not adequately equipped with security devices. Seventeen banks were fined 11,049 million manats for failing to comply with compulsory reserve requirements. In 728 cases, enterprises did not have certificates of registration with the tax inspectorate. Some 178 enterprises and organizations have not been registered by the Ministry of Justice.

Monopolism Barrier to Market Transition

944K1190B Bakko L'EKONOMIKA AZERBAIJANU
in Russian 3 May 94 p 1

[Article by I.M. Dzhabrailov: "Monopolism: Barriers in the Way to the Market. Problems and Solutions"]

[Text] Historically it so happens that on its way to the market the economy of Azerbaijan has to destroy a supermonopolized structure and provide conditions for the formation of a competitive environment. It is impossible to create a market economy in the absence of demonopolization, just as it is impossible to create competition without privatizing state property.

This problem is frequently brought up in the mass media, which consider naive and primitive patterns for fighting monopolism. Scenarios are proposed which frequently identify monopolism with monopolies, and the latter—with the dominant position of companies in the market. Various forms of monopolism are frequently mixed up, while techniques for fighting them are borrowed either from the "workaday" world or from college textbooks on economic theories.

The urgency of developing the effective means for combating monopolism can hardly be overestimated, because this is now problem No. 1. It is virtually impossible to embark on privatization, solve any structural problems, or fight inflation to counter a slump in production unless we are able to develop an economic strategy that could successfully counter monopolism and destroy the economic basis for its recurrence.

Not a single state of the world has been able to avoid a fall in the living standard of the people, a slump in production, inflation, unemployment, and so on in the

process of making a transition to the market. The difference is that some states effect demonopolization in the economy by resolute methods within one year (for example, the Czech Republic) or stop hyperinflation within two or three months (Greece, Austria, Yugoslavia), whereas others unsuccessfully try to solve these problems over decades (most Latin American countries). This is why the issue should not be just how to develop the concept of an antimonopoly policy and a program for demonopolizing the economy (on paper) but also how to take the greatest possible advantage of opportunities to implement them.

It may be conjectured that it is virtually impossible to perform financial stabilization and implement anti-inflationary, fiscal, and foreign economic policy without restricting [as published] the interconnection with the antimonopoly policy. In anticipation of objections from my unseen opponents, I would like to refer to the experience of Russia, Ukraine, Kazakhstan, and Turkmenistan. For example, Ye. Gaydar's program of financial stabilization failed solely because they tried to solve this serious problem exclusively by monetary methods. It is impossible to solve this problem through the sphere of distribution, without serious changes in the economic structure, in the environment in which objective conditions exist in the economy for the expanded reproduction of inflationary phenomena. This elementary truth appears to have been forgotten by us. Moreover, we can be accused of Marxism and antireformism. However, we would like to remind propagandists and agitators of various hues who have a notion of economic theory at the "street" level that the Marxist theory of money, capital, added value, profit, reproduction, and crises has not yet been refuted by anyone. The wish is to solve all problems in a hurry without destroying the economic mode that has been created over decades. This thought was borne out yet again by a sharp deterioration of the economic situation in Russia at the end of 1993 and the beginning of 1994, following the monetarist experiment of the Russia's Choice type.

Results

The crisis in the economy is growing. There are no rays of stabilization in the economy. The following data for the first quarter of 1994 compared to the corresponding period of 1993 testify to this:

- output of the net material product fell by 25.5 percent;
- the defaulted debt of enterprises increased by a factor of 13;
- gross capital investment was off by 41 percent;
- housing construction diminished by 55 percent;
- retail sales fell by 46 percent;
- the index of prices and rates for goods and services went up by a factor of 11.3;

—the monetary income of the population increased by a factor of 4.5.

The coefficient of the lead of the growth of prices compared to the growth of monetary income came to 2.5. The purchasing power of the population diminished by the same amount. We should add to this the monthly level of inflation—30 percent, and an abrupt reduction in employment. According to our data, unemployment in the republic now comes to about 0.9 million. This amounts to 35 percent of the economically active population. No wonder that under the circumstances, the 1994 state budget was drafted with a deficit of 47 billion manats. Therefore, budgetary expenditures exceed revenues by 30 percent.

Macroeconomic Problems: Reality and Projections

A reduction in the monetary income of the population in real terms has brought about a contraction of effective demand. The capacity of the market for consumer goods fell by a factor of 2.5 to three. Delays in the payment of wages, retirement benefits, and allowances by two to three months should have apparently stabilized the growth of prices and the level of inflation. In reality everything is the other way around: the rate of inflation and prices increase month after month.

A fall in investment by a factor of more than two and a 13-fold increase in defaulted debt have brought many enterprises to the brink of bankruptcy; consequently, the recession in production has deepened and employment declined.

In reality, the slump in production does not come to 25-26 percent, as reported by official statistics, but is considerably greater. The government and the National Bank are trying to prevent reductions in output by higher state expenditures and credit outlays. However, these measures are not successful because they depreciate the manat and distort monetary circulation still more.

The slump in production will deepen unless extraordinary measures are taken promptly. This poses the danger of an economic cataclysm.

It seems that the government has opted for an erroneous tactic. Two versions of a solution are possible in this instance. The first is to restore centralized management of the economy. The second is to develop a program for priority measures for carrying out market reform with an active system for social protection of the population. In this case, programs for the demonopolization of the economy should become a priority.

Types of Monopolism in the Economy

There are differences between monopoly practices, a monopoly, and the dominant economic agent. If we recognize as dominant the position of an economic agent (joint-stock company, limited liability company, and so on) which is based on the superiority of its economic potential and which makes it possible for the agent to

decisively influence the competition and thus hamper access to the market to other participants in the market, an economic agent whose market share exceeds 35 percent is considered dominant. Correspondingly, there may not be more than two to three dominant economic agents in the market.

An economic agent which absolutely dominates the market is recognized to be a monopoly. As a rule, its share exceeds 51 percent.

There may be one monopoly in the market. However, there may be several monopolists in the market for homogeneous goods. This is a so-called "collective monopoly" whereby several economic agents are bound by an agreement among themselves. Monopolism, or monopoly practices (activities, behavior), should be distinguished from a monopoly and a dominant economic agent. Both monopoly and nonmonopoly economic agents, state central and regional organs of power, or departmental organs of government whose actions are aimed at preventing, restricting, or eliminating competition to the detriment of consumer interests may engage in monopoly practices. Therefore, the following types of monopolism shall be distinguished:

- state monopolism (that of the organs of power);
- departmental monopolism (that of the organs of government);
- regional monopolism (that of the organs of local power);
- monopolism of economic agents.

The following are derivative from the above four types of monopolism:

- financial and credit monopolism;
- natural monopolism;
- patent and license monopolism;
- monopolism arising out of horizontal and vertical agreements between players in the market.

Therefore, monopolism is associated with activities aimed at restricting or eliminating competition and harm the interests of consumers. In Azerbaijan state and departmental monopolism, the monopolism of economic agents, as well as natural and financial-credit monopolism shine through most vividly.

Abuses by Market Agents as a Form of Manifestation of Monopolism

It is necessary to note that there are monopolists and monopoles. Theoretically, two kinds of monopolists may exist. Some can ensure their dominant position through a difficult but honest competitive struggle. As a rule, they engage in fair competition without restricting it and without harming the interests of consumers in any

way. Other monopolists take advantage of their dominant position in the market to raise market prices, with the quality of the product deteriorating, and use illegal means for counteracting competition. Abuses in the market may be manifested in the following forms:

- market share manipulation, raises or, on the contrary, reductions in it with a view to causing a shortage;
- price manipulation, with the price being raised or reduced with a view to increasing consumer demand and taking advantage of it for one's own interest;
- product quality manipulation, which pursues the objective of reducing the cost of production;
- the use of methods of a noneconomic nature with a view to erecting barriers in the market and suppressing existing or potential competitors.

Virtually all forms of the manifestation of monopolism are registered in the economy of Azerbaijan. The growth of prices following their liberalization was largely "due" not only to inflation but also monopolism in the economy. The situation is exacerbated by the absence of a competitive environment in markets for particular products, as well as the absence of all effective methods of antimonopoly regulation, and an economic mechanism for counteracting the abuses of monopolies and dominant market agents. It has now been more than one year since the parliament passed the Law "On Antimonopoly Activities," but it is still inoperative because of the lack of a mechanism for its implementation.

Meanwhile, the situation in the market has been deteriorating continuously. The gap between the growth of prices and the monetary income of the population has been growing. Customer demand has been restricted to the necessities, goods with a low elasticity of demand, and the physical subsistence minimum.

Who is responsible for this? Six out of 17 ministries of the republic and five state committees out of 22 are economic ministries and state committees. However, this is of no use. A state program for transition to a market economy has not been approved to this day; implementation arrangements for most of the laws adopted by the parliament in 1992-1993 are absent. Banking and tax legislation is imperfect....

Data from the bulletin of the State Committee for Statistics of Azerbaijan for the first quarter of 1994 and data from the CIS Statistical Committee have been used in this item.

Guliyev on CIS Viability, Relations With Russia
944K1186A Moscow NOVAYA YEZHEDNEVNAYA
GAZETA in Russian 26 Apr 94 p 2

[Interview with R.B. Guliyev, chairman of the National Assembly of Azerbaijan, by Anatoliy Blyudin, under the

rubric "Visits"; place and date not given: "Rasul Guliyev: We Will Not Yield a Single Square Meter of Land"]

[Text] **Rasul Guliyev, in Soviet times a prominent functionary of the oil industry of Azerbaijan, and currently the chairman of the National Assembly of Azerbaijan and, they say, the second most important person next to Aliyev in Baku, will be arriving in Moscow today on an official working visit.**

Rasul Guliyev has given an interview to NOVAYA YEZHEDNEVNAYA GAZETA.

[Blyudin] Rasul Bayramovich, what is your attitude toward the present-day problems of the CIS? In general, do you believe in the viability of this union?

[Guliyev] This is not the first case in history of an empire falling apart. The same thing happened in Italy, England, and other countries. Indeed, this process is proceeding very painfully here, and there are many reasons for this: Some of the new states are still young, and do not have adequate experience in statehood. Strong mutual mistrust is the second factor. Let us not dwell on explaining the reasons for this mistrust; let us acknowledge that it exists. Well, the third factor—it seems to me that there are still many people who would like to return to the past—a single Union, centralization, etc., once again. A general economic crisis is, to my mind, the main reason for difficulties in the CIS. In the Union, the economy was completely subordinated to political interests. Important economic decisions were made not only without any serious scientific analysis but also contrary to common sense. We are now having to pay for this.

We must reconcile ourselves to this because there is no other way to a better life. History indicates that time passes, wounds caused by the disintegration of empires heal, and life returns to normal. Look at India, it now has normal economic relations with England. The old enmity has been forgotten. We should now have courage to admit that we will be drawing closer to one another for a long time to come and with difficulty and, well, also to believe that this will happen anyway.

[Blyudin] Numerous facts have been reported in our newspaper which testify to the anti-Russian sentiment in Baku: Russians are being evicted from their apartments, they are leaving the republic. What is your attitude toward this?

[Guliyev] Yes, the Russian-speaking population emigrated from Azerbaijan during the reign of the People's Front. However, the situation has changed since Geydar Aliyev was elected president. We see that people are already coming back.

There are about 200,000 Russians in our country; some of them have lived here for more than 200 years. Our parliament will pass laws that will securely protect their interests. Nobody asks you in America what your ethnic background is; everybody is American there. We should

build approximately the same relations in Azerbaijan. The idea of mononationalist politics is a dead end. We want the Russian-speaking population to feel that Azerbaijan is their motherland.

I am convinced that the parliament will pass the necessary legislative acts as soon as the first half of the year.

[Blyudin] What role do you assign to Russia in stopping the Armenian-Azerbaijan war?

[Guliyev] Of course, we believe that the Russian state will assist in solving all the problems that have accumulated in our region in recent years. I am convinced that Russia has such an opportunity; both its political and economic resources are sufficiently powerful. International organizations could take part in these issues, shall we say, arithmetically, to the tune of 20 percent.

We understand that complex and contradictory processes are underway within Russia. However, we see that the above notwithstanding, the real political forces are striving to solve the problems peacefully. Nonetheless, political stabilization is underway in Russia, and I attach great hopes to the growth of the role of Russia in the peacemaking process along with this.

[Blyudin] What are the objectives of your visit to Moscow?

[Guliyev] First of all, I would like to become better acquainted with my colleagues in Russia and share our views on our common problems, learn where we are close to each other and what we differ on: We must simply know each other before anything is resolved. I would very much like a regular businesslike relationship to develop between our parliaments.

Strong economic relations have historically evolved between us. This is why borders between Russia and Azerbaijan should not exist as far as investment and the economy are concerned. Naturally, the laws our parliaments pass should promote rather than hamper the processes of integration.

Russia is our big neighbor; we want to open all borders for the economies. There will be no barriers to Russian investment, but Russia should not throw up barriers to Azerbaijani investments, either. We are in favor of civilized relations.

I worked for 12 years as the director of an oil refinery. At that time we reported to a Union ministry; I know many Russian oilmen well and have many friends in Russia. I come to Moscow with great hopes because I believe in the power of common sense; I believe that if there is enough will, a compromise may be reached on any difficult issue.

Naturally, discussing the issue of stopping the war is also an objective of my visit. Neither the Azeri nor the Armenian people need this war. People are dying on both sides. I think that everybody has ascertained this: We will not yield a single square meter of our land. This

should be understandable. If they try to compel us to make a certain decision by forcible methods, this means that we will fight. However, I would like to say again that the war is not needed. Political decisions are needed.

Situation in Gas Industry 'Critical'

944K1163A Baku VYSHKA in Russian 30 Apr 94
pp 1-2

[Interview with Tariel Abulfaz Ogly Guseynov, president of the Azerigaz State Gas Company of Azerbaijan, by an unidentified correspondent; place and date not given: "Tariel Guseynov: 'To Strictly Save Gas Everywhere and in Everything.' Tariel Abulfaz Ogly Guseynov, President of the Azerigaz State Gas Company of the Republic, Is Our Interlocutor"]

[Text] FROM OUR FILES. T. Guseynov has been working in the oil and gas industries for more than 30 years now. He began his labor activities as a fitter with the Artemest NGDU [Oil and Gas Production Directorate]. After serving in the army, he graduated from the imeni M. Azizbekov Oil and Chemistry Institute (currently, the Oil Academy). Subsequently, he worked within various establishments for marine oil and gas production and was director of the Azerbaijan Gas Processing Plant. For seven years, he headed the Aztransgaz administration. He has been president of the Azerigaz State Gas Company since September 1992. He has a son, a daughter, a grandson, and a granddaughter.

[VYSHKA] Esteemed Tariel, you are at the very apex of the pyramid of a complex and diverse economic unit which is one of the pillars of the republic's economy. This pyramid has been shaking for a long time, and the magnitude of this "fever" strikes a strong blow at our entire lives. After all, it is hard to even imagine Baku being left without the blue fuel...

[Guseynov] Let us not take too dim a view of the situation; nonetheless, this is not ruled out. It is paradoxical that one of the powerful oil and gas regions of the former Soviet empire cannot presently provide fuel for itself. The reasons for this are many. The disintegration of the uniform imperial structure for the management of the most significant, strategic sectors that had operated for decades actually paralyzed the gas sector of Azerbaijan. The established centralized system of gas distribution (even if greatly flawed) was destroyed, and this affected in a most lamentable manner the economy of not just our republic but also other states of the CIS.

Emergency measures were needed to salvage the gas industry and use it as much as possible in the interest of a sovereign Azerbaijan and its people. The creation of the Azerigaz State Company by an edict of the president of the republic one and a half years ago marked the beginning of this effort, as immense as it is crucial.

[VYSHKA] Pardon me, but attempts to somehow gather the gas sector under the same hand had been made in the republic before....

[Guseynov] Certainly, attempts had been made. Beginning in 1980, I had personally pushed through projects of centralizing the gas supply of the republic at the various levels of authority. However, this did not advance beyond verbal approval. Proceeding from its interests, Moscow tenaciously held all the ropes of the gas supply in its hands. The gas sector of the republic was an eternal stepchild: In some cases, it was merged with other state structures, and then they would think of something else. In a word, the sector was left without a master. Figuratively, it was tightly bound hand and foot. As a result, the structure of the distribution system is chaotic; it does not comply with international standards and, most importantly, at a great cost, which even now results in nothing but losses.

Of course, one and a half years is not a period sufficient for bringing the sector to the level of effective development, even more so in view of a huge "backlog" of pent-up problems. However, is it possible to discuss any shifts at present?

Of course, there have been certain changes but they are not of the essence. The main point is that our company which has succeeded in creating a unified sectoral mechanism has asserted itself. The might of Azerigaz is great: There are about 10 associations, the gas facilities of cities, main administrations of construction, two machine-building plants, the Scientific Research Institute of Gas Issues, and dozens of other auxiliary enterprises and organizations. It is very important for this huge mechanism to begin operating smoothly....

[VYSHKA] Unfortunately, this has not come about yet. At present, reports on gas deliveries are akin to messages from the front line. This is how you hear it: Turkmenistan has suspended gas deliveries to Azerbaijan; plants have stopped because of a shortage of the blue fuel; gas supply to the rayons has been turned off.

[Guseynov] All of this is true. Putting it frankly, the gas delivery situation is critical. The overall need of our republic for gas comes to 16 billion cubic meters. Previously, we received 7 billion cubic meters of gas from Russia and Turkmenistan; Iran delivered another 3 billion cubic meters. At present, we obtain about 6 billion cubic meters of our Azeri gas and, in addition, we have a contract for the delivery of [number illegible] billion cubic meters of Turkmen gas on a clearing basis. Turkmenistan must deliver over 8 million cubic meters of gas. [word illegible] production toward the repayment of the debt has not been shipped from our republic so far. Only a few days ago did the government confirm quotas for the shipment of Azeri products; this has been recorded in a pertinent decree. We are now taking measures to solve the existing problem although this is not all that easy to accomplish, given that the debt for the Turkmen gas has come to 60 million of accounting dollars since the beginning of the year.

[VYSHKA] Apparently, the existing situation is prompting the Azerigaz to take extreme measures.

[Guseynov] Of course, there is no other way out. Gas supply for many rayons of the republic has been cut off. We deliver gas at the very limit of our potential to the enterprises and population of Baku and other large cities. At present, the most significant task is to create reserves of the blue fuel, to pump the gas received into underground storage facilities. We endured the past winter with difficulty. We should now think about the forthcoming cold season. Fuel prices are growing and by all signs the growth of costs will continue. Therefore, one can hardly count on an abrupt improvement in gas supply in the immediate future.

[VYSHKA] In all of this, it should be taken into account that the still immense quantity of gas that is purchased at great expense during what is wartime to us is simply lost, and at times also stolen. At present, the issue of [lines missing in the original], strict accounting, and the prevention of all theft is as acute as ever. You will agree that in this respect, the Azerigaz itself has many shortcomings.

[Guseynov] I agree. Despite the measures taken, the large loss of gas persists. Imagine that until very recently one out of four or five consumers in the republic was not registered. Rampant permissiveness and arbitrariness of individual leaders of rayons, enterprises, services, and so on have produced the background for all types of violations in the consumption of gas. In the last two years, a lot has been done to rectify the situation although I will repeat that a very great loss is still allowed to occur. We have introduced a new service within the organization of our company—the directorate of state gas supervision—which regularly examines the correctness of gas consumption. I will note that in Baku alone, recent inspections have established major violations in the consumption of gas in Sabuninskiy, Surakhanskiy, Narimanovskiy, Khatainskiy, Nasiminskiy, and other rayons. Unregistered enterprises and organizations have been discovered that have been consuming gas for a long time without paying for it. We also clarified the picture of gas consumption in the residential sector where great loss is also allowed to occur. We can say that in the republic as a whole, up to 10 percent of natural gas consumers are unregistered.

Besides, the condition of many gas mains serving farms is lamentable; tremendous funds are needed to upgrade them. We are now making various efforts to reduce the loss of gas; we have tightened up monitoring in order to prevent its theft [lines missing] to create a precise system of accounting for gas. Some 300,000 household gas meters will be manufactured for us under a \$14-million contract signed with Minimetals, the Chinese state company. The technology of producing these meters is also being purchased (250,000 a year), with the right to sell them to all countries for five years. Incidentally, the first 30,000 meters have already been delivered to Baku; at present, preparatory work for their installation is underway, primarily in the suburbs of the capital city.

We engage in active cooperation with Israeli companies with regard to the local production of gas lines made of polyethylene.

Several days ago, we had yet another meeting with representatives of the World Bank with whom we are negotiating, by decision of the government, the allocation of credit for upgrading the entire gas industry. We are developing a technical and economic feasibility study on rejuvenating the gas sector of the republic jointly with SOFREGAZ, the well-known French company. On the whole, the signing of an agreement on the extension of a large long-term loan at the level of our government and the leadership of the World Bank is scheduled for the fall of this year.

[VYSHKA] All of this is good; all of this is in the future; of course, in the absence of rejuvenation industry will not be placed on a developmental path. However, what is to be done about gas, what is to be done in order not to be left without the blue fuel?

[Guseynov] It should be saved, and saved again everywhere and anywhere. The government of the republic has confirmed priority measures to save natural gas. It is necessary [lines missing] to switch to the use of liquefied gas in rayons, villages, and settlements, to convert enterprises on a mandatory basis to residual fuel oil (of course, where conditions for this exist), to introduce high punitive sanctions, and to use other measures against the violators of gas consumption procedures. We should dispense once and for all with the flawed practice whereby: You provide natural gas for us, and we will settle later. Consumers owe us more than 4 billion manats, and we just cannot collect them. However, no sooner than we cut back gas delivery to a debtor, complaints are lodged with all echelons.

[VYSHKA] Incidentally, recently some publications have missed no opportunity to let you have it—among others—without concealing their malice.

[Guseynov] I respond to such antics by some sorry excuses for journalists calmly. Unfortunately, the pages of certain newspaper publications have become a place for slandering and abusing people, for accusations without proof against officials. We talk to such solely through the judicial system. Something else is alarming: Recently, attempts at undermining confidence in the authorities and the leaders of state structures have been growing; they are bending over backwards to promote nervousness and get in the way of actual endeavors to overcome the crisis in the national economy and the entire republic. This is why we cannot relax by any means. We should undertake to skillfully solve problems, to do everything to defeat the enemy and strengthen and develop our native independent Azerbaijan.

[VYSHKA] Thank you for the interview.

Georgian, Azeri Independence Parties Seek Cooperation

944K1014C Baku MILLET in Azeri 24 Feb 94 p 1

[Declaration by Georgian National Independence Party: "Declaration of the Georgian National Independence Party"]

[Text] The Georgian National Independence Party, considering the national and state interests of the Georgian people and government, gives great importance to strengthening relations of friendship, good neighborliness and mutually useful cooperation between Azerbaijan and Georgia. Our party considers that the deepening of relations of sincerity, friendship and all-round cooperation with neighboring Azerbaijan will strengthen Georgia's sovereignty and territorial integrity, and contribute to peace and stability in the region.

A delegation of the Georgian National Independence Party headed by its chairman traveled officially to Azerbaijan's capital, Baku, on the basis of an official invitation from the Azerbaijan National Independence Party on 15-18 January 1994. In the course of the visit, an Agreement on basic principles of cooperation between the Georgian and Azerbaijani National Independence Parties was signed.

Based on these principles, our parties consider that from the point of view of mutual belief, friendship and cooperation between our peoples the preservation of citizenship rights for Azeris living in Georgian territory and Georgians living in Azerbaijan's territory has paramount importance. Serious action is needed in this direction. Strong enemies of the Georgian people and Georgia's independence are trying to worsen and complicate relations between Georgians and Azeris by all means. They are even trying to start ethnic military conflicts. May God protect us from this!

It is necessary to implement a series of measures to rectify completely the citizenship rights of Azeris who are Georgian citizens. From this point of view:

- a) to strengthen to the maximum the fight by law enforcement organs and strong administrations against all criminal activity on the territory of Gardaban, Marneul, Volnis, Tetriskaroy, Sagarchevo and Lagodekh Rayons, and to reduce the probability of creating personal conflicts between Azeris and Georgians;
- b) to assure the active participation of Azeris along with Georgians in local government and administrative structures, the procuracy, the Ministry of Internal Affairs and the security organs on the territory of these rayons;
- c) to include both Georgian and Azeri citizens in the ranks of the armed forces of the Georgian Republic;
- d) to broaden cooperation between government organs of the Georgian and Azerbaijan Republics in the sectors of defending the independence and territorial integrity of our states, to guarantee the inviolability of existing

borders, to strengthen national security, stability and democracy, to give guarantees on human rights and the rights of national minorities, and to conduct a struggle against terrorism, narcobusiness and banditry.

By giving to greatest importance to friendly and neighborly relation between Georgia and Azerbaijan, we hope representatives of higher government organs will approach this declaration with attention.

[Signed] I. Sereteli, chairman, in the name of the Georgian National Independence Party, 22 January 1994.

The declaration was submitted to E. Shevardnadze, head of state of the Georgian Republic, J. Yoseliani, chairman of the Temporary Committee on the Special Situation, I. Georgadze, Minister of Security, G. Karkarashvili, Minister of Defense, Sh. Kviraya, Minister of Internal Affairs, and J. Babilashvili, Chief Procurator.

Political Groups Protest Arrest of Opposition Leaders

944K1014D Baku MILLET in Azeri 24 Feb 94 p 2

[Report by Kheber-Servis: "Declaration by Political Organizations"]

[Text] Six political parties in the republic—the Azerbaijan People's Front, the ADP [Azerbaijan Democratic Party], Musavat, Yurddash, the People's Democratic Party, and the Independent Democratic Party—have disseminated a joint declaration. The reason for issuing the declaration was the arrest on 19 February of opposition representatives in Khachmaz Rayon. In the document it states that the arrest for political motives of members of opposition organizations in Baku, Nakhchivan, Beylegan, Goranboy and now Khachmaz, and illegal actions against people's representatives proves the strengthening of the reactionary regime in Azerbaijan. The government is trying to exclude opposition forces from the country's political life.

In the declaration it notes that official circles within the government are blatantly violating human rights. The opposition parties are demanding to put an end to the imprisonments and set the political prisoners free.

People's Front Official on Duties of Democratic Opposition

944K1015A Baku AZADLYG in Azeri 6 Mar 94 p 5

[Article by Neriman Gasymoglu: "Some Goals and Duties of the Democratic Opposition"]

[Text] It can be accepted by everyone that an organized democratic opposition with clear political goals is a national and state resource. In my opinion, there are enough clear ideas about the place, role and weight of a democratic opposition because this resource is exploited in global, strategic issues such as national state-building.

Unfortunately, recent events have not helped to embody these ideas in practice so they have remained more on the theoretical level.

In Azerbaijan the basic political contradictions that still remain in the nature of relations between the opposition and those in power consist of reasons which characterize the standoff between empire and national liberation. Other reasons often seem to be of secondary importance. In general, because the movement we have described as a national liberation struggle is democratic in nature, we evaluate it as a democratic movement. It is only natural that if our movement is connected with leading democratic processes in the world, another reason is that it is based in the national characteristics of Azerbaijani society itself.

The basic political goal of democratic opposition forces in Azerbaijan is to achieve representation through the realization of the basic goals of their program in the government. It is completely natural that this issue is distorted in official propaganda channels so that in the public mind it appears as an ugly, immoral concept. Through television and the press, it is interpreted to mean that coming into the government is in the interests of certain individuals or groups, but this is not a step forward for the people, etc. It is clear that official information policy is directed at disarmament and away from national democratic values. Independent polls confirm that the influence of the government among the population continues to fall. The reasons for this are published frequently in the opposition newspapers. It suffices to say that it is difficult to speak of future directions in any sector. Coming to the consistently stressed issue of the unique role of the government in safeguarding stability within the society, this is exaggerated, and the value of the intelligent, calm comportment of the democratic opposition is reduced to nothing under wartime conditions. As for all kinds of problems, blaming them on the conflict with Armenia and justifying the slowdown in needed reforms seems meaningless. Incompetence, bribery and corruption have led to a national catastrophe which has reached to the level of a national tragedy.

Superficially, it appears that the opposition which has changed to more passive activity, should dwell more on internal organizational questions so that when the present powerholders who, under the new conditions, lack administrative ability and the democratic habits brought about by this are defeated, they can come into the government without difficulty. We have to mention that among some opposition forces the habit of lying in ambush exists. I want to mention two dangerous aspects of this. The first demands the creation of extreme conditions and is connected to the hope that the question of a change in government will be resolved through external influences, and that the passiveness of the society and the population will help. For example, the period of the events of last summer were like this. The population was not on the side of the rebels, it was occupied with their traveling to Baku, etc. It is clear that

extreme conditions are not in the interest of the nation. The second dangerous aspect is that public opinion is created counter to the national interest as the result of a policy of waiting. For democrats engaged in political activity, this is unforgivable. One is in the position that there can be a sudden social explosion of a people whose way of life is becoming gradually worse. Under such conditions, saboteur circles managed from Moscow will fertilize the field, and the probability of a catastrophe increases. All this gives opposition forces cause to think. We do not claim to teach intelligence to the powers that be. But they have to understand that their level of responsibility for any kind of national catastrophe is all the greater.

Very serious, troublesome work which requires courage stands before us. This is essentially connected to the war. The hopes of the government and the democratic opposition, who have sacrificed thousands from its ranks for the Fatherland since the Armenia-Azerbaijan war began, are the same. And generally, the war which drew the democratic opposition into relative passivity is also a factor. It is natural that such passivity is spiritually justifiable. But there is a question put forward by the national interest that the democratic opposition must think about carefully in their work. Their political habits should not be such that stability is violated in the name of covering up their lack of capability in their work style which would give those in government the needed excuses to undermine the democratic opposition. Since a change in government is an historical and natural process (the discussion is on a legal change of government), they have to discuss strategic questions and they must make their move to come into the government in an only partially known environment. It is also necessary to consider every kind of environment which could be created.

The primary duty of the democratic opposition is to organize, and this work occurs at various levels. This question means purifying and strengthening their ranks, and a change in quality. There are not a few individuals in whom representatives of democratic forces have lost confidence who served at various levels of the former government, and who have been forgotten by the people; it is not desirable that they return to political activity in the ranks of the democratic opposition. They could be obstacles in the struggle for public opinion. It is clear that this is a psychological question and democratic organizations must cross this psychological barrier without falling into internal fragmentation!

Many articles in the opposition press have been devoted to analysis of the democrats' fall from government last June. While most of these were both objective and subjective, basically, the objective reasons were more discussed. Only one must not forget the subjective because the speculations on the mechanism by which the ranking oppositionists were overthrown are narrow. There is basis to think that the subjective anatomy of the government change which took place following the July events have not been revealed. In my opinion, leaders of

the democratic opposition, including the renewed leadership of the APF [Azerbaijan People's Front], must pay attention to this question.

They were damaged because of the shrinking social basis of the democrats. The most difficult and troublesome work will be to revive this basis; this includes the activity on the direction of building a correct idea among the population about national-democratic values which have been exposed to a certain amount of deformation. Propaganda should not be conducted in the framework of traditional government-opposition contradictions, but in the sector of explaining the nature of the freedoms and values we have mentioned. In other words, not propaganda creating a sense of primitive confrontation, and imbued with a sense of psychological superiority.

The question of the transition to a market economy still conveys a declarative character. It appears that those in the government do not have too much interest in this. The stalling of reforms and the widespread bribery and corruption has impeded business structures which had just begun to be formed by businessmen, and a natural flow of capital in the republic abroad is taking place. The democratic opposition must be turned into the spokesman of the representatives of free economic striving. Those leading the way in this expression will be found. But if we wish to make the transition to a market economy, if we wish to understand the advantage of this to the state, create the economic grounds for social guarantees for the poor, and the importance of economic freedom in society, we must not stint on every kind of political-spiritual and intellectual aid for the development of free business. And the reasons impeding this development must be explained clearly to the people. If every opposition organization were to prepare concrete programs of economic reform and turn these over for discussion among business circles, then it would be an excellent proof of the seriousness of an opposing force.

There is much talk about shortcomings in the constitution. If a constitutional commission were to be organized by the opposition to discuss alternatives (despite the presence of opposition representatives on the state commission), and if they were to prepare an alternate draft, it would not be bad. One could hold a campaign of constitutional discussions by the opposition.

The democratic opposition must reach conclusions and actively publicize clear directions of needed reforms connected with the question of building the country. Because this question has been moribund, state institutions are not operating. The democrats must clarify for themselves how they want to view an independent state at the upper, middle and lower echelons, and conduct reforms for the sake of the nation's interests. The last government stalled on this issue and was compelled to work in structures inherited from the empire.

A more important question consists of the democratic opposition's bringing dynamism into foreign policy.

Concepts in public opinion about foreign contacts guaranteeing that they will not cease to back our independence are weak. Some steps taken by the present government in foreign policy and the policy followed during the democrats' government are manifestations of this. In other words, the present government understands that only pro-Russian contacts increase the possibility of Moscow's breaking up our independent state and, as a consequence, would drive them from the government.

The idea has been widely spread that processes in Russia influence the real situation in Azerbaijan. Setting aside the correctness of this idea, the channels of such influence have still not been clarified. Efforts by Moscow to tie Azerbaijan to itself through militarily siding with Armenia and to preserve its geopolitical influences in the Caucasus region raise the obvious question as to whether this is the Russian strategy and a visible side of its policy. The ways to fight against this are also clear. The invisible side is no less dangerous; it serves to shake our national security from within and serves the obstructions in building the state. There is a need for more clarification here. In higher and middle-level state structures, Moscow's seen and unseen cadres are in action. The leadership, by keeping the former in their positions, demonstrates that it is following a competent policy with regard to Moscow. As for Moscow, it uses them to put pressure on the leadership and to implement concrete sabotage scenarios if they do not bow to this. This is a mechanism which preserves the republic under Moscow's control while at the same time preventing the development of healthy political relations within the republic. We have to say that this mechanism also functioned in the time of the preceding government. In March, April and May of last year the future of this mechanism came into question through the activity of Western diplomacy. From this standpoint, the clarification of the subjective anatomy of the June events is rather important. One question that cannot be forgotten is that the West can increase its own activism in Caucasian politics after the restoration of democratic laws in Azerbaijan. Realization of this would coincide with the neutralization of imperial influences in the region.

One can say that ideological differences between organizations of the democratic opposition are slight. There is objective room for cooperation. The question of inter-organizational liaison must, in general, be turned into norms of political behavior, and, from the spiritual standpoint, this is also useful for public opinion. It is natural that no individual or organization can take responsibility for pulling Azerbaijan out of the crisis alone. A coalition must be built among the opposition organizations. Perhaps the former power of the APF was a coalition by its nature. This was justified by the times. The content of the APF is changing according to conditions and, having broken up its organization, we are now preserving an internal sense of definition which knows its limits.

Opposition Calls for Inter-Party Solidarity

944K1015B Baku AZADLYG in Azeri 3 Mar 94 p 4

[Appeal by APF, Musavat Party, People's Liberation Party and Azerbaijan Democratic Party: "Appeal to Opposition Parties by Leaders of Information Structures of Political Organizations"]

[Text] For more than a month meetings of political structures of political organizations have been held regularly. In this period a communique reflecting the principles of cooperation of these structures has been signed, regularized exchanges of information have been set up, important steps have been taken in the defense of freedom of speech and of the press in Azerbaijan, and appeal has been passed to state organs about unifying forces in the sector of eliminating problems created by Armenian aggression, and a joint press conference by opposition parties was organized for the first time.

These meetings helped to bring together the positions of parties on a number of important issues and prepared the ground for their broad cooperation.

But now the need to broaden the circle of joint activity of the political structures of political organizations and to develop and strengthen domestic and foreign ties demands that the work of these meetings be built up to a qualitatively new level. This is only possible under conditions that other structures of the parties begin to cooperate.

At a period when the sociopolitical situation in Azerbaijan is gradually worsening and social conditions are becoming more serious, and in a period when problems created by the war have reached dangerous limits, establishing such unity would be a great step in the direction of finding the optimal way out of the situation, maintaining stability in the country, and creating civic solidarity.

Taking all of this into consideration, we appeal to the parties we represent to make use of closer forms of cooperation and expedite the work of establishing unity among the democratic forces.

[Signed] APF [Azerbaijan People's Front], Musavat Party, People's Liberation Party, Azerbaijan Democratic Party

People's Front Meeting Views Islam, Human Freedom

944K1015C Baku AZADLYG in Azeri 3 Mar 94 p 8

[Report by APF Information Center: "Islam And Human Freedom"]

[Text] On 28 February religious functionaries, scholars and party representatives held a meeting on "Islam and Human Freedom" at the Central Apparatus. Hajy Faiz, prorektor of the Higher Spiritual Medrese under the Spiritual Administration of Transcaucasian Muslims,

Meshedi Behruz, a teacher at the medrese, Hajy Jebrail, chairman of the Farmers' Union, and his deputy Hajy Nazim, Hajy Osman Efendiyev, chairman of the National Enlightenment Party and docent Philosophy Department at the Economics Institute, Tariyel Hesenov, a colleague in the humanitarian policy department of the Office of the President and Professor of Theology at Baku State University, Etibar Talybly, chairman of the university rayon department of the APF [Azerbaijan People's Front], Arif Aliyev, deputy chairman of the APF, Meshedi Arif, member of the Presidium of the APF, and others took part in the meeting.

The orientalist and translator of the Koran into Azeri, Neriman Gasyzmzade, chaired the meeting.

During the discussion the return to the Koran, Islam and tradition, remnants of idolatry in Islam, religious education and problems of religion and policy were discussed.

It was noted that the concept of "there is no God but God" is the major source of human freedom. In the Islamic concept, freedom has three supports: glasnost, equality and solidarity. Religious functionaries explained their positions by saying "essentially, there is freedom in Islam, but scholars must absolutely reveal it."

The scholars discussed the damage done to society by religious illiteracy, what the fragmentation of Islam means to fragmentation of the nation, and the traces of idolatry in Islam, and noted that one could consider the effort to iconize certain political leaders even today as a manifestation of this idolatry in modern times.

The party representatives gave more stress to the subject of religion and politics. It was noted that the politicization of Islam primarily damaged the religion itself. Religious believers can implement their needs and demands through politicians without interfering in politics themselves. Politicians must create conditions for propagandizing religion on a healthy basis and guarantee the inviolability of freedom of conscience. But the establishment of religious parties as an effort to put religion in a political framework is acceptable to no one.

At the end of the meeting it was decided to hold such talks more often and to hold conferences on specific religious themes. Agreement was also reached on organizing a special meeting of the leaders of all confessions in Azerbaijan, scholars and politicians.

People's Front Official on Cadre, Policy Changes
944K1016A Baku AZADLYG in Azeri 26 Feb 94 p 6

[Interview with Ibrahim Ibrahimli, first deputy chairman of the APF, by Elchin Seljuk: "The Fate Of The APF Is More Important For Me..."]

[Text]

[Seljuk] Ibrahim, What duties stand before the APF [Azerbaijan People's Front] after the cadre changes in its leadership?

[Ibrahimli] At this stage, we have laid the foundations of a principle of changing from quantity to quality. Determining the place and role of a social and political organization in society depends on this factor to a great extent. We can say that in our inner-organizational work questions of revival are over despite the fact that for well known reasons great obstacles stood before the solution of these questions. Many offices of rayon departments of the APF were empty and there was uninterrupted persecution and pressure on our members. Although preparatory work for our regular congress had stalled, the organizational conferences had concluded.

Some mechanisms to enable the APF to perform its role in the political process again have been prepared. Primarily, the creation of an alliance of democratic forces has turned into the need of the day. The deepening of the economic crisis in the country and problems in the war zone have created a bad psychological mood among the people. The number of those looking optimistically toward the future has fallen. In such a situation, no political group can influence public opinion alone. We will join in a democratic alliance and also reinforce the guarantees of democracy in the country. This alliance, as a guarantor of democracy in Azerbaijan, will awaken the special interest of international organizations acting according to the general game rules in government-opposition relations.

[Seljuk] For a number of months preparatory work has been done for the regular congress of the APF. When is it planned to hold this event, which will bring clarity into a number of issues?

[Ibrahimli] As you know, since the day the organizational committee for congress preparation began to work, we have not been satisfied with inner-organizational discussions connected with the activity of the APF. With the goal of bringing the public into these discussions, a series of articles have been published in the mass media. Thanks to these, we have drawn the necessary conclusions from our mistakes. Purely organizational conferences for holding the congress are over. We have begun to hold theoretical conferences as a preliminary step, and broad discussions on the status of the APF, and on its place, role and duty in the system. Analysis connected with the sociopolitical and military situation in the republic have been conducted at these conferences.

[Seljuk] Ibrahim, how much time was set aside for these theoretical conferences you mentioned?

[Ibrahimli] Taking into consideration the breadth and actuality of the questions proposed for discussion, it would not be correct to set time limits on the organizational conferences.

[Seljuk] How are intergroup relations regulated in the APF? As first deputy chairman of the APF, those who wish to have "talks" with you connected to the fact that you are a member of the Musavat Party...

[Ibrahimli] The broad social basis of the APF differentiates it from other political groups. Thus, the activity of different groups within the APF is natural. The basic issue is finding the mechanism of common principles among these groups and conducting a joint struggle for the goals of the program of the organization. The cadre changes in the higher organs of the APF were born from this need.

As for the gossip about my membership in the Musavat Party, in order to cast some light on this question I want to talk about it in some detail. I have been in the front ranks of the people's movement in Azerbaijan since the day it began. At that time I conducted my activity in Nakhchivan. As a result of this activity I was elected a people's deputy of Azerbaijan from the district in which I declared myself, and then a member of the National Assembly. Since I had the idea of reviving the Musavat Party in Azerbaijan, I was in a position to realize this question. As I was a member of the revival bureau of the Musavat, we held a revival congress. Then I was elected to the Board of Musavat. During the June events the chairman of the APF and the chairman of the APF Executive Committee left Baku for well known reasons. Those coming into the government selected the APF, which was a real force, as their first target. Driving this organization from the political arena was carried out without deviation. APF members were persecuted at various levels. In such a tense political atmosphere, I took on myself the defense of the overthrown government and the democratic opposition in the National Assembly. Because of my speeches in the National Assembly and the position I held, I was both praised and reviled.

The electoral organs of the APF recommended my candidacy for the duty of chairman of the APF Executive Committee to E. Elchibey. Although I was a member of the electoral organs of the Musavat Party, I wrote a petition saying that the fate of the movement and the APF was the more important for me, and left Musavat. I returned once again to the Zeyneddin village support point of the Babek Rayon chapter of the APF—to the organization of which I was a member until Musavat. Subsequently, the instructions of the APF chairman were turned over to the High Assembly.

[Seljuk] Can Ibrahim Ibrahimli, who was elected as the second man in terms of duties in a large organization like the APF, fulfill his commitments?

[Ibrahimli] It would be better if you asked those of the members of this organization who are engaged in policy.

[Seljuk] What do you think about the recent use of force by the police in Khachmaz Rayon against opposition forces wishing to hold a meeting, and the arrest of a

national representative, journalists, and members of the APF, Musavat and the ADP?

[Ibrahimli] I view the Khachmaz events as part of an intentional policy conducted at the state level conducted against the opposition. This fact shows once again that the APF leadership, taking the dangerous situation in the republic into consideration, has listened to proposals on general game rules in government-opposition relations for the protection of stability.

The application of these measures against members of the opposition weakens the government's position. As in every other time, this time we turned officially to law enforcement organs in the name of the organization. We will try to place questions connected with this fact on the daily agenda of the National Assembly. At the same time, we have submitted documents to international organizations connected with human rights in Azerbaijan.

PKK Presence in Armenia Detailed

944K1016B Baku AZADLYG in Azeri 24 Feb 94 p 5

[Article by Gulden Aydin: "The PKK in Armenia"]

[Text] *From the Political Department: Turkish journalists writing as Kurds themselves prepared this material. Certainly, the Kurdish question in Azerbaijan is perceived differently from Turkey. This is only natural. Mutual relations between Azerbaijan citizens who are of other nationalities and Kurds are not at the level of armed confrontation as in Turkey and could be characterized up to the present by peaceful understanding and mutual respect.*

But it is an undeniable fact that a number of foreign political and state circles are intentionally active to artificially inflame ethnic relations in Azerbaijan—the sources of tension of the Lezgian question in the north, the Kurdish question in the west, and the Talysh question in the south corresponds to the geographical aspects of the territories where these problems are inflamed.

The Kurdish question, as seen from these abbreviated materials (and not only from these) surfaced under the influence and administration from Moscow as channeled through Yerevan for many years.

Today Armenia is bringing the "Kurdish card," which has been used very capably against Turkey, into the "game" with Azerbaijan.

We wished to believe that our Kurdish compatriots would understand this truth: as a result of inflaming the Kurdish question in Azerbaijan artificially and in a dangerous direction, they will serve the interests of not only the Kurds, but also completely different forces.

According to official information, 56,000 Kurds live in Armenia; according to the Kurds, there are 150,000. The PKK [Kurdistan Workers' Party] began its "Armenia action" two years ago. The majority of the first group

consisted of PKK members coming from Cologne. Their goal was to draw the Kurds living in Armenia into a "fight." This was not very difficult because all of the Kurds living in 21 villages had migrated there from Turkey in 1828.

Two years ago the PKK began its "Armenian action" by wandering from village to village asking this question: "Would you rather dance, or have an independent state?" As time went on, the number of those opting for an independent state increased. Today, all 21 villages in Armenia are a PKK encampment. Theoretical instruction is being given. Every adult village inhabitant comes to the lectures of the PKK cadres in the village house. The lectures are aimed toward an understanding of "Independent Kurdistan in Turkey." It is also possible to see camp discipline in the villages. All cultural activity is about "Kurdishness" and directed from the same center.

When we were guests in the home of Ishhan Aslan, who formerly worked in the Kurdish broadcasting section of Radio Yerevan but has now been selected as the commander of all the PKK in Armenia and bears the stamp of the Lachyn Kurdish Republic on his hand, explained the new strategy of the PKK: "When the sun rose, he gave 72 peoples the place they wanted, and now it is our turn. We know that our liberation can only be possible with the liberation of Turkish Kurdistan. Therefore, we are going to fight."

Ishhan Aslan is from Diyarbakir. His family emigrated to Armenia in 1936. The walls of his home in Afshin village are full of photographs showing the Mahsum Korkmaz Academy together with PKK partisans, Abdullah Ojala (leader of the PKK—ed.) and portraits of dead guerrillas. "As soon as it is needed we will send the Kurds under our command to fight."

"The same pertains to Armenia, which causes no problems among us."

The military command of the PKK in Armenia does not publicize the partisan groups, those in training, or questions about weaponry, but a "very recent" video cassette did not fail to put us on the track: The Krasnodar meeting! This is a documentary film on a PKK meeting of which we were unaware up to now. The PKK held a meeting attended by 102 representatives in Krasnodar in Russia from the 1st to the 8th of July. There were 12 Kurds from Armenia and 54 from Central Asia. At the end of the meeting a joint resolution was issued. Ishhan Aslan was elected as military commander at this meeting and took up his duties in the Assembly of the Lachin Kurdish Republic which was declared in June 1992 with Armenia's permission.

He says: "We are training an army of 20,000 soldiers. There were close to a million Kurds in the former Soviet Union. We know that many will join us in this fight we are beginning. This question was also discussed in Krasnodar. We established the Kurdish Union. It was said that the Lachyn lands would be turned over to this union when it passed into Armenian-Azeri ownership."

On 15 August the 10th anniversary celebration of the PKK was held in Afshin village with four thousand people taking part. This is the central base of the PKK in Armenia. It is 50 kilometers from Kars. Ishhan Aslan, military commander of the Kurds in Armenia, lives in this village. We went to the village square and found a crowd playing zurnas [a kind of lute] and bells. In their hands were pictures and portraits of Abdullah Ojala, and the red, white and green flag with a sun in the middle of the Mahabad Kurdish Republic under which we believed that all Kurds would rally...The crowd was chanting the slogan "Bizhi Apochi, bizhi PKK!" We had the feeling that some youths were standing at a distance from the cameras. We entered the "guest house." Inside were many chairs and benches. The bookshelves were filled with books and magazines. The walls were occupied by signs and announcements written in the Cyrillic alphabet. Lectures are being held in this "guest house." Meetings and seminars are held here. The question of "Kurdistan" is discussed here...

An old man emerged from the crowd and came to our side. "My father is Botanly. I was born here. May the road to Apo be smooth. If he wishes, God will grant it. I am 65 years old, but I am ready to fight." Mers Memlioghlu shouted in Turkish: "We want to come and give our own blood. May there be a Kurdistan, may the Kurds have their own land. May the PKK be victorious..." A youth raised a picture of Abdullah Ojala and shouted in Kurdish: "I am going to fight as a partisan!" Barzany Dirbo, who was the same age, also shouted "I am from Kars. I, too, am going to fight!" Hano Cherkez added, "Me, too."

Koroghlu Esger, 53 years old and from Kars, promises: "When I say Apo, I think of Kurdistan. We live in comfort here, but our hearts are there. Thus, we are sending the youths to fight. We have still not had a martyr." Although Koroghlu Esger says that they have given no "martyrs," Javo Avdal from Afshin, who was killed in an operation the south-west in the last few months, was in the PKK. His father Abdul and his mother Nigar Avdal said "May our ten sons be sacrificed for independent Kurdistan." As for Javo Avdal's wife Aloyan, she lives in Yerevan. Although we wanted to meet with her, she did not want to meet with us. Her acquaintances say, "Aloyan is also going to war, she is also in the PKK and has no children." Javo went alone to Turkey. He went with three companions from Shamiran, the largest J-Kurdish village, and a PKK member who had come from Turkey. They traveled in the following way: one hour to Batumi, and from Batumi by sea to Trabzon and Kars...

We asked about those fighting in Turkey and whether they had any arms training before they went, but received no answer...

Yet another proof of the presence of the PKK in Armenia are the two weekly newspapers located in central Yerevan: REYA TAZE (NEW WAY) and

BOTAN REDAKSIYON. REYA TAZE, with a circulation of two thousand, is the organ of the Armenian Communist Party and the central state press organ. Within the 52 newspapers published in Yerevan, it stands in third place. For the last two years REYA TAZE, which has existed for 63 years, has been spreading the ideas of the PKK. As for BOTAN REDAKSIYON, it was begun by PKK members who came from Turkey and Europe a few months ago and has a circulation of 2,500.

We met with Amerike Serdar, director of the press bureau of REYA TAZE in a twelve-storey building in Yerevan. Serdar is also the director of the Kurdish Intellectuals Union, which was founded two years ago. "I am a member of the PKK," he says. "The struggle of the PKK is the basic struggle of the Kurdish nation."

"I am also an Apochu. We have tied our future to the future of the PKK. We do not belong here. Finally we will have a country of our own. Whoever wants to can go there and settle down."

We await Dr. Sheref Ashir at REYA TAZE. He is professor of the politics of the peoples of the Middle East at the Yerevan Polytechnic Institute and assistant to the General Director of the Kurdish Intellectuals Union. But Ashiri has an even more important position: he is a member of the Assembly of the Lachyn Kurdish Republic...When he met with us, he selected a very attentive and cautious manner. In answer to our question "Are the PKK-ists coming here?" he said: "Kurds come and go here from everywhere. The basic criterion is love of country." Our duties are for the future. We are striving for social, economic and political power for the Kurds. "In this question, we also have relations with the state of Armenia."

We asked Sheref Ashiri about Mustafa Vekili, head of the Lachyn Kurdish Republic. "I have not seen him for a long time," he says. We do not believe him because we know that they were both at the meeting in Krasnodar a week earlier.

The fact is that the PKK camps in Armenia did not correspond to the image of a PKK encampment that was in our imagination, but what we saw, proved and heard in Armenia proved without doubt that the PKK is present there.

Criminal Actions Against Azeris in Georgia Reported

944K1016C Baku AZADLYG in Azeri 22 Feb 94 p 1

[TURAN report: "Situation in Rayons Inhabited by Azeris Worsens Again"]

[Text] The criminological situation in rayons where 100,000 Azeris live clustered together in the east of Georgia has worsened again. According to information

from the TURAN News Agency, bandits broke into the home of M. Guliyev, a resident of Gyzylhajly, and stole his property last week.

At the same time, unknown persons opened fire on the Baku-Marneuli bus on the bridge over the Khrami River.

The Ozan Society which defends the interests of Azeris living in Georgia has appealed to the country's leadership to expose these crimes and punish the criminals.

GEORGIA

Interview With Ajaria's Abashidze

PM2704084594 Moscow ROSSIYSKAYA GAZETA
in Russian 26 Apr 94 First Edition p 2

[Interview with Aslan Abashidze, chairman of the Ajarian Supreme Council, by Lyubov Volkova; date and place not given: "Georgia: There Is a Small Passage Amid the Flames"]

[Text]

[Volkova] Aslan Ibrahimovich, Ajaria is the only oasis of internal stability, civil accord, and law and order in Georgia today. How do you explain this situation, which inspires such hope? How do you manage to preserve peace amid the fires of war on your little strip of land?

[Abashidze] I will answer with a parable. A father says to his son: When you buy a house from a man who built that house with his own hands, do not make the mistake of haggling with him—whatever happens, he will not give in. He knows what the house cost him. If he did not build it himself, haggle away; he will lower his price, perhaps even give it to you for a song, because he has invested nothing in it of his own. I am the same. I know how we have kept peace by a hairbreadth.

[Volkova] Is it true that you offered your own family—your wife, children, and grandson—as hostages for talks in Abkhazia?

[Abashidze] There was a time when I thought that events in Abkhazia could be slowed down or halted. And I proposed that Ardzinba come here for talks. I felt that he was simply wary of traveling outside Abkhazia. Now, once upon a time in days of old, kings, in order to establish good relations among themselves, made use of family affairs—they married princesses or gave their daughters in marriage to a king's son. And this was a very civilized form of establishing firm, friendly relations. I did not come up with any new idea.

But do not imagine that I was prepared for this. I simply felt during my telephone conversation with Ardzinba that he might not agree to come, and I used my final argument—that which is most dear to me, my wife, daughters, and grandson. I guarantee everyone safety, I

said. If this is not enough, I will come to Abkhazia myself. Then he agreed. But I found no supporters in the Georgian parliament.

There are forces interested in ensuring that instability is maintained in Georgia for as long as possible. For it is instability which keeps these people afloat. If the war ends, it will be time to build. And then they will prove to be superfluous, just as they were before.

Take a look at this photograph: Who do you think this is? It is my father's youngest brother. A most powerful personality, a historic personality. He is a general; they write about him a lot. You know, when they did away with this class—in both Russia and Georgia—great harm was done to the nations. Generation after generation the race put forward its best sons. They had the opportunity to receive a brilliant education, brilliant training. The most difficult burdens lay on their shoulders. Both in our country and in Russia. They were all in the first ranks. And then they were destroyed; the flower of our nation was destroyed, decapitated. And how much of our moral life disappeared together with them. You know, they had a very firm framework which they could not overstep. They had honor, conscience, morality, a nation. Everything was destroyed. And now it is like this: A man comes along who knows nothing. He makes a speech in parliament: "Why do we need the Russian ruble? Why are we entering the ruble zone? Let us enter the hard currency zone!" Can you imagine it? As though the United States would open its banks right now and say: "How much do you want?" And hand out dollars to all and sundry. Only Russia is capable of such expansive gestures. For the sake of the relations which formerly existed. You can kill a Russian soldier, you can label Russia an occupier, and it will give you gas, bread, and money.

[Volkova] It is precisely of pro-Russian sentiments that you are most often accused in Tbilisi.

[Abashidze] They accuse me of all sorts of things. In just one article I was accused of selling Ajaria to Russia and Turkey simultaneously. I ask: Which part am I selling to Russia and which to Turkey? We have been called all sorts of names in Georgia.

The fact that we are at peace is most important for business contacts between Russia and Georgia, and Georgia's constituent part, Ajaria.

[Volkova] You get the sense that there are no anti-Russian feelings here. Neighbors live together as neighbors. There are many streets with Russian names—Lermontov Street, Pushkin Street, and so forth.

[Abashidze] We live together as one family, just as we always did, taking this communist slogan as our own. When the order came to use only Georgian, on Ajarian television we instantly set up Russian-language editions of exactly the same programs. This provoked misunderstanding among the Georgian leadership.

We commemorated 23 February [Army Day], 8 March [Women's Day], and Border Guards Day. On 9 May [Victory Day] we marched with veterans to the Glory Obelisk and laid wreaths at the Tomb of the Unknown Soldier. This was against the tide. Anti-Russian sentiments did not get a grip on us. Of course, some things were felt even here: There were exchanges of fire, attacks on troop units; Major Kirillov was killed in front of his wife and child. I issued a statement and invited his wife to come here, offering her an apartment and money.

Some people believe that I am swimming against the tide. No. I have always swum with the tide. And at the present time everything keeps within certain bounds.

[Volkova] Do you not have too few rights personally, as chairman of the Supreme Council of an autonomous republic, to make independent decisions? Does this not have an effect on business contacts between Ajaria and Russia?

[Abashidze] This does not depend on us alone. This also depends on our partners. Yes, I am the leader of an autonomous republic, but nothing has prevented me from making very bold decisions and assuming responsibility. Of course, I have seen no steps to meet me halfway. Neither inside Georgia, nor abroad.

For instance, I go to Moscow. I want to step off the gangway. A border guard climbs onto the gangway and checks my passport. I have a Soviet passport. There are no new passports either in Russia or in Georgia. I tell him: Why are you checking, we have the same passports. He felt awkward and did not look me in the eye. And what happened next was this. The inspectors—two women—moved aside. We had been waiting, thinking that they would begin to search us. But they say: What are you waiting for, pass through, for God's sake. You know, a ballad should be written about these women. Two women protested the leadership's decision, which forcibly separates us. It is pitiful.

For example, under the former Georgian leadership I received orders to make an inventory of the Russian garrison's property. But not only did I not do this, I even gave orders to shoot to kill anyone who approached the Russian unit. I knew I was making the right decision. And time proved this to be true. They did not help us to arm our own Ministry of Internal Affairs, which defended the interests of Russian troops here. But they handed out weapons to those who attacked the units of the Transcaucasus Military District. It is obvious why. But all the same we did not quit this road, knowing that afterward the Georgian central authorities would see that we were right. Which is what happened.

We concluded a treaty independently with Udmurtia. And the Georgian central press wrote about this: Why is Abashidze going to Udmurtia? They have got guns there, surface-to-air missiles, and so forth. They draw their own conclusions: We are arming ourselves, they say. But if you are worried who will think or say what about you,

you won't achieve anything useful. We make our own decisions, the ones we need. And time will judge us.

There are very many artificial barriers and borders. Have you seen border guards mounting gangways and checking flights from Moscow in our country? No. I made the decision autonomously: Let them recognize that all this separation is artificial.

We do not get the Russian press in Ajaria. We went to Moscow to purchase newspapers in order to distribute them at home—let people read, let them know what is happening in Russia, our age-old neighbor. We were greeted rapturously in the Russian Ministry of Communications. We agreed that we would systematically import the press to Ajaria. We paid for the plane at the airport. But they did not let it take off. They told us: "You are allowed 10 newspapers. That is all." The print runs of the papers we bought are now lying somewhere in our friend's dacha.

Barricades have been erected on all sides.

[Volkova] This winter kiwi fruit, pineapples, bananas, and oranges from overseas countries were sold in Moscow. But we have not seen mandarins, oranges, or green vegetables from Ajaria. Why not? Surely it was not impossible to sell something from the last harvest to Russia and earn some money at least?

[Abashidze] Unfortunately not. The railroad was blocked off. We chartered several ships and exported citrus fruits. We made several trips. But that is only part of the harvest. Citrus fruits are a highly perishable commodity. One train was detained for around a month in Tbilisi and the freight rotted.

[Volkova] You are in a bad way as regards raw materials. Are you managing to establish contacts with Russian procurement agents?

[Abashidze] Some stuff reaches us somehow or other by roundabout routes, and enterprises are able to work to 20-30 percent of capacity. But, of course, these are not the contacts which used to exist and which we need. For

instance, we have the only plant in the former Union which produced transformers for everyone. We have a tung-oil refinery which produces high-quality oil from this subtropical product. It is used in aviation and the shipbuilding industry. These oils are highly stable and irreplaceable. We always used to sell them in the Soviet Union. Now Russian aviators and others get hard currency from the state and buy this oil abroad at three times the price. And we have barrels of it. We have the only caffeine plant in the former Soviet Union. Your pharmacology and medicine are also evidently suffering. And many similar things as well. The Western market will not take our products. Here is an example: We were unable to put together two wagonloads of citrus fruits of the same size. In the past you and I lived together as follows: We grew fruit however it would grow, we bought whatever was on sale. We talked a different language to the Western world; we lived on a different planet. Now we must climb into the same boat, called the market, together and learn together. We will fail if we go our separate ways.

We wanted to purchase sugar; a businessman came, took the money, and left. They say to us, Interpol can find him, if you pay \$50,000 per day. Pay for 10 days, and there's the stolen sum. And you still won't know whether Interpol will find him.

But if someone deceived you in Russia, you could phone him and give him a dressing down: You made a mess—clear it up.

Here is a surprising fact which we have underrated: Right now you can phone any point in Russia or Central Asia from any of our telephones and say: I am the director of a plant, the unit you sold me has malfunctioned. And people will come here from Russia, they will pay no attention to these transparent borders or borders of reinforced concrete. We lived together—that is what we are used to. It is like in the movies—"Bound by One Chain."

Russia needs Georgia like the air it breathes. And I think that Georgia needs Russia just as much.

ECONOMIC AND SOCIAL AFFAIRS

Reform of Russian Banking System Outlined

944E0740A Moscow NEZAVISIMAYA GAZETA
in Russian 19 Apr 94 p 5

[Article by Yuriy Agapov, president of the Kredo-Bank, candidate of economic sciences, and Oleg Lavrushin, president of the Center for Banking Research, academician: "What Is a Bank in Russia? Proposals for Reform of Our Banking System"]

[Text]

Position

Calls for reform of Russia's banking system, including its Central Bank, have begun to appear more and more frequently in the press recently. In the opinion of some, the Russian banking sector should be transformed based on American experience (following the model of the Federal Reserve System of the United States). Others think that the banking system of Russia should be reformed according to the German model (following the experience of the Bundesbank, with a developed network of branch banks and strict control from the center). While agreeing in principle with the need for banking reform, the Central Bank thinks that it should not be conducted hastily, but gradually, that it will take about two years to complete it, that to mechanically apply readymade structures from other countries to a Russian base is unfeasible, and that it would be more correct to take advantage of the experience both of the Federal Reserve System and Bundesbank and of the Central Bank of Russia.

Inclining more toward a position of a weighed approach which takes into account both the patterns and the peculiarities in the development of the banking business, national culture and historical traditions, and the overall condition of the Russian economy as an economy in transition, we, however, think that when determining the direction for the development of its banking system Russian society must first resolve a number of principle issues for itself.

Do we have the right to reform the banking system or would it be more correct in this stage to speak about creating its design? Does this system exist in Russia or does it still have to be formed? In which stage of bank construction are we and are we certain enough about how what has developed should be transformed? Can we postpone the transformation of banking in the country and limit ourselves solely to discussions and declarations, allowing ourselves to become involved in heated but particular discussions (this would not be the first time this has happened in our life, it is happening at this very moment as we are beginning to react to one idea or another that has been foisted upon us) and philosophize at length without proposing something specific in exchange? Finally, will we continue for long to grasp individual ideas and parts without resolving questions of

its creation and management comprehensively? When answering these questions a great deal depends on how we evaluate what has already happened with our banks. If we understand the task as being primarily to destroy the old system—the monopolism of the former State Bank of the USSR, the state monopoly in forming banks, then we can say that we have carried it out to a considerable degree: The Gosbank [State Bank] as a concept in the history of Russian banking has receded into the past and modern business banks are being generated not only on state but also on private initiative. If, however, we set as our tasks not only to destroy but also to construct something new and adequate to the market, then, naturally, the answer will be negative. One can probably agree that our banking system is for the time being some kind of hybrid of the market and centralized systems. The Central Bank is no longer the state bank, but it is not a bank that corresponds to a market economy. Commercial banks are not branches of a single giant but they are still far from being banks that have their own set of banking services and have the capital base and technology of operations enabling them to carry out large-scale capital investments.

Which path shall we take from here? Let us try to formulate several general approaches.

1. First of all we should agree that *transformations in the banking sector are not short-term acts*, they are a long-term, stage-by-stage program of actions based on increasing both the activity of the Central Bank itself and the activity of large commercial banks, banking associations, scientific centers, and organizations.

2. During the process of reconstruction of the banking system we cannot reform just one element of it—just the Central Bank or just the commercial banks. *The formation of a new type of banking system must be comprehensive in nature, affect all elements of the banking sector*, provide for the necessary interaction among them, and provide for effective functioning not only of the Central Bank but also of the banking sector as a whole.

3. I would like to give warning about something else—we must not regard the transformations of the banking sector as a panacea for solving all and especially larger (than purely banking) national economic problems.

With all their economic and political power the banks operate in a sphere which is only a part of the reproduction of society. Their activity is linked to the formation and distribution of monetary resources and mobilization of savings for the needs of economic development.

The monetary-credit policy of the banks therefore can resolve a limited number of problems. Of course, it can exert an influence on the acceleration (retardation), and expansion (narrowing) of production, but mainly through exchange, a system of special (monetary) instruments. The banks influence the utilization of resources and have an impact on liquidity, capitalization of incomes, consumer demand, and capital investments, but one must not forget that they operate on the basis of

already created accumulations, their "capital-creating" capabilities are limited, and they are practically nonexistent under conditions of high inflation. To exaggerate or underestimate the role of the monetary-credit policy are two extremes, both of which can lead to new disproportions.

4. Banking monetary instruments are capable of exerting an influence on social development only in concert and simultaneously with other instruments. *Transformations in the sphere of banking should therefore be regarded only as part of systemic general economic transformations.* Since the banking system as a whole in a certain sense is derived from the economic and political structure of the country and since changes in the banking sector should take place only to the proper degree and as a reflection under the conditions of the transition period and in real branches of the national economy and state and political structures.

Therefore one can assert that the transformation of the banking system is merely an element of the overall economic strategy, which is called upon to serve the process of other reforms (in the area of diversification of property, demobilization, the establishment of new markets, restructuring of interregional and interrepublic relations, etc.).

5. The reforming of banks has independent significance and should provide for democratization of the banking system, strengthening of credit institutions, and the formation of a banking market and banking infrastructure.

Transformations in the banking system should, in our view, begin with a solution to certain conceptual problems. Strange as it may be, they include *discovering the essence of the banking system itself.* Let us recall that the banking system is frequently interpreted as the totality of particular banking and nonbanking institutions (so-called credit institutions). With this approach *there is no system*, because a system presupposes not only elements in relation to one another as they interact but also elements that are interconnected with the external environment. *It includes, consequently, not only the aforementioned credit institutions but also something that is actually lacking in our life, namely a banking infrastructure, a money market, and a legislative base.*

Unfortunately, *a banking market in the real sense of the word has not yet been formed in Russia.* Accumulations, on whose basis the banking sector could develop and which could nourish the resource base of commercial banks, are clearly inadequate. The average deposit of the population as of the beginning of this year was little more than 1,400 rubles [R]. Bank deposits (including call deposits and short-term deposits in the Sberbank, and also certificates of deposit) amounted to R8,135 billion or 21.1 percent of the overall money supply. The proportion of deposits in commercial banks was little more than 11 percent. Deposits from the population in the overall total of liabilities of Russian commercial banks

amounted to a miserly sum—0.88 percent (as of 1 September 1993). The capital base of enterprises has been bled dry by the severe inflation. Many years will pass before real accumulations will reach a level sufficient to consider the banks to be provided with resources for granting credit.

The market presupposes vigorous trade. Although trade among banks is developing, a number of commercial banks are operating not so much with their own capital and capital in the accounts of their clients along with interbank credit as on the basis of regular infusions from the Central Bank. Centralized loans account for more than 80 percent of the overall sum of credit obtained by commercial banks from other banks.

Essentially, the *old machine for distribution of resources* in the form of credit limits of the State Bank have largely been replaced by a *system of distribution of credit of the Central Bank.* One can say that the system of market mechanisms, including the sale of credit at auctions, is just taking its first steps.

The fundamental questions include also the very understanding of a bank, its essence, functions, and role in the economy. Let us note that it is not such a simple matter to give a definition to a bank. Banks have been in existence for several millennia and their modern activity is so diverse that sometimes it is not easy to distinguish them from other financial institutions. Yet an analysis of their essence makes it incumbent on us to single out something special, specific; in a word it makes it incumbent on us to single out that which distinguishes the phenomenon under consideration from any other.

In modern science and practice *the definition of a "bank" is approached from two positions: legal and economic.* From the legal standpoint a "bank" is defined from the position of what it does (which operations it performs) and what it can do. Of course, this approach has a right to exist, but it can only be of secondary significance. What seems more rational to us is an analysis that includes in the essence of a bank what it does and how this distinguishes it from other institutions and therefore makes it a bank as such as distinct from other financial institutions.

Unfortunately, our previous research on banks was not as deep as we would have liked. Let us recall that it was linked to the understanding of the bank as part of the state apparatus, of a particular superstructure. Hence—the more banks there were, the greater the costs of administration and the more national income that was eaten up. Such an understanding was justified to a certain degree. Society and the banks lived with a different kind of measurement, interbank competition did not exist and could not under the conditions where the spheres of activity of numerous credit institutions were divided up and essentially there was mandatory "registration"—assigning each client to a particular bank.

The market changes the position of the bank. It forces banks to work not with resources obtained from above

through distribution but on the basis of its own capital and largely on the basis of what it has managed to collect from its clients. Under the conditions of the market the productive nature of banking activity is manifested more clearly. The bank creates its own specific product in the form of means of payment and traditional and nontraditional services, without which it is impossible to maintain or accelerate production and circulation. The bank inevitably becomes part of the base of society and creates a certain increase in gross product and national income.

The concept of a "bank" thus goes beyond the framework of the purely theoretical debate. Unless this concept is defined correctly we cannot defend the interests of depositors or correctly conduct tax policy regarding banks and we open up the possibility for nonbank institutions to unjustifiably acquire the status of a bank.

In our view, the productive character of banking activity gives us every justification to depart from the old representatives [as published] and inevitably leads us to a definition of a "bank" as a basic element—as a special enterprise. This is demonstrated by international experience as well. In the modern legislation of a number of developed countries (Germany, France, and others) the bank is described precisely as an enterprise. There is also other evidence of this which may be indirect but is nonetheless important. It is no accident that according to generally accepted ideas the bank is characterized as an independent autonomously financed legal entity, and many normative documents regarding the bank and the enterprise proceed from the same principles and provisions (inclusion of expenditures in production cost, taxation, etc.).

Let us assume that the concept "banks" in the Law "On Banks and Banking Activity" can be defined as follows (two versions):

1. "A bank is an enterprise that engages in the emission of means of payment on a credit basis, cash settlement services for clients, and accumulation and distribution of monetary means on the basis of repayment and interest payment."
2. "A bank is an enterprise that produces a specific product in the form of emission of means of payment, organization of settlements, accumulation of resources, and their distribution based on principles of recoverability."

It is no accident that we began by speaking about one of the banking laws. The fact is that it is precisely at this time, as has been noted repeatedly in the Russian press, that at various levels, including in the banking subcommittee of the State Duma, there is discussion of a new redaction of two main banking laws. The existing Laws "On the Central Bank of the Russian Federation" and "On Banks and Banking Activity" unfortunately contradict certain provisions of the new Constitution of the Russian Federation, the Civil Code, and the Fundamentals of Civil Legislation. Some of their articles are obsolete and require development.

The Law "On Banks and Banking Activity" *should not merely define what a bank is, but correctly reflect the types of banks.* As we know, functioning in Russian practice are not only commercial but also investment, innovation, savings, mortgage, authorized, and municipal banks. Unfortunately, existing legislation does not make it possible to strictly determine the list of operations they have the right to perform while considering the interests of the depositors. All these banks strive to be universal commercial banks, which in principle should not be the case from the standpoint of protection of savings and deposits of the clients.

A number of Russian banks have ended up in the role of "puppet" banks, held captive by the stockholders. Wanting to gratify their stockholders and finding themselves dependent on them, a number of Russian banks invest their own and attracted funds in the economies of stockholding enterprises, helping them, and they increase the risk of defaulting on credit payments and essentially place themselves in a position of potential bankruptcy. None of these cases are described in existing legislation and they require concretization and development.

This pertains also to such an apparently inoffensive concept as "credit institution." It was no accident that it appeared in the drafts of new banking legislation. The fact is that in the banking market there is a group of financial institutions which have been granted the status of bank although essentially that is not what they are since they do not simultaneously perform the three mandatory operations (deposit, credit, and settlement), which provide justification for considering them banks (according to international standards it is thought that it is this sign of simultaneously performing the three traditional banking services that provides grounds for including one institution or another in the category of bank). *The term "credit institutions" introduced in the draft of new banking legislation is improper* since it does not separate nonbanks from authentic banks, which mainly act as large credit institutions. Moreover, although it is incorrect to call these "special financial institutions," that is what they are called in banking legislation of a number of Western countries.

For banking legislation *it is of principal importance* not only to more completely designate the system of banks and determine the boundaries of the activity of each type but also *to determine their social significance.* It is known that in the consciousness of modern Russian society banks are perceived not only as a real economic force that accumulates immense monetary wealth and is called upon to serve the economic needs of the national economy and nourish the economy with additional "energy" resources. In the awareness of a fairly broad segment of people banks are associated with speculators, shopkeepers, money lenders, and bribetakers who are concerned only about their own advantage. The idea that "banks are for the rich and not for the poor" with all the antagonism instilled by decades will be present for a long

time to come in the awareness of simple people, essentially keeping both them themselves from saving at least part of what they have in modern life, ravished by inflation and political instability, and the banks from prospering, for the latter can prosper only if the people are wealthy and are motivated to save.

To be fair, we must not fail to note that certain banks provide reasons for a negative assessment of their role in society. Being commercial in essence and working according to the principle of profitable management (that and no other), through their activity the banks contribute to the acquisition of profit by the clients and hence to their own profit. The appetites of certain banks, however, turn out to be too hefty, their "grasping" reflex becomes apparent, and it surpasses their concern for the common good. Banking legislation creates no barriers for restraint here. Taking into account the idea that is developing in Russian society of banks as purely commercial structures supposedly striving for their own exclusive advantage and also keeping in mind the actual existence of certain banks with these kinds of reflexes, it would be expedient, in our view, to include the following important provision in the law: *"The bank as an enterprise, being a social institution and representing generally accepted interests, is called upon to provide for the economic and social development of society."* Of course we are far from thinking that all bankers will become good boys and stop shifting all their risk to the shoulders of the clients; this will not happen directly or immediately, but it will be strictly established, if you will, that there is a legal and moral norm which no bank generated by the interests of society and called upon to contribute to the satisfaction of these interests will have the right to forget.

This provision goes beyond being a declaration and should be reinforced by concrete legislative measures. Thus it would be expedient, in our view, legislatively to restrict the proportion of interbank credit (except for centralized) in the overall volume of attracted resources of commercial agents. This will create incentives for expanding the clientele of commercial banks, which is possible only on the basis of radical improvement of the quality of the services granted and their diversity.

It could be extremely useful to have a special code for the banker, which would determine his behavior in the capital market and constantly assert the idea that work for the sake of the client's profit is the most advantageous and profitable kind of commercial activity, and that "fleecing people," conversely, is the most disadvantageous operation for the banker.

Among the conceptual issues we discussed previously is the understanding of the essence, functions, and role of the Central Bank. Let us try to figure these out in greater detail. According to our estimates (and also the estimates of Western experts) the load on the Central Bank of the Russian Federation as an institution for financing exceeds its actual capabilities. In industrially developed countries the proportion of assets of the Central Bank in the assets of the banking system does not exceed 15

percent (and there is even a tendency toward reduction), while in Russia this indicator is no less than 50 percent. The burden on credit as a whole as a source for making expenditures is at its limits. Centralized credit, including the one-third granted to banks of Russia to cover the federal budget deficit (not including a considerable proportion of the government expenditures also covered by credit), is ready to blow up the money supply and undermine the already weak incentives for growth of production and increase of the productivity of public labor.

It is in this connection that it is important to figure out what they are and what functions and purposes they have. The paradox of modern banking practice is that neither in theory nor in existing banking legislation are these fundamental concepts applied to the activity of the Central Bank of Russia, nor are they clearly defined. The authors of the new draft Law "On the Central Bank of the Russian Federation" proceed from the previous idea of the Central Bank as the only emission center. Such an interpretation is more typical of a strictly centralized system and does not correspond to accepted universal practice of issuing money that is being practiced currently in Russia whereby a multitude of economic entities have the right to issue stocks, bonds, bills, and other securities and means of payment.

In modern practice, in various kinds of publications and also in banking laws themselves, the concept of "functions of the bank" is used fairly frequently. It subsequently turns out that the function of the bank is equated with its operations, but this is something altogether different. Banking legislation still has to define what the function of the bank is and what its operations and tasks are.

It seems to us that within the framework of the new redaction of the Law "On the Central Bank of the Russian Federation" its content could be defined as follows: *"The Central Bank of the Russian Federation is the emission center for the Russian Federation which is granted the exclusive right to put state bank notes and metal coins into circulation."*

The functions of the Bank of Russia should include:

- 1) regulation of monetary-credit relations;
- 2) oversight of the activity of commercial banks;
- 3) analytical-informational activity.

It is important both in practice and in legislation more clearly to articulate the idea of the special political responsibility of the Central Bank. Unfortunately, we have confused two things here: The superfluous political battle which the Central Bank waged of its own accord or by coercion, and its responsibility for political stability in society. While the former aspect of the bank's activity is worthy of sympathy and discussion, the latter circumstance is inevitable, because whether the Central Bank

likes it or not, one way or another its monetary instruments bear a political load. Everyone knows that withholding the payment of wages to workers and employees through the fault of the Bank of Russia (for example, in the summer of 1992) caused severe social conflicts. Poor protection of the monetary units from forgery and theft in the form of false notes had a direct effect not only on the incomes of the state but also on the deposits of the banks which, as a result of these thefts, ended up on the verge of bankruptcy. And the very instrument of the monetary and credit policy and the fight against inflation are capable of causing significant social consequences. In our view it would be more correct in the Law "On the Central Bank of the Russian Federation," having reflected this circumstance, to write that "within the framework of the economic policy that is being conducted the Central Bank of Russia is responsible for political stability in society."

Within the framework of the regulatory function performed by the Central Bank it is important to determine unequivocally that it does not perform operations for serving clients (neither through its territorial administrations nor through the excessively bloated network of cash settlement centers, a significant proportion of which need to be transformed into purely commercial credit institutions).

A certain amount of regulation is also needed with the oversight function of the Central Bank. It is known that the stability of the banking system depends on how well this is performed. It is precisely for purposes of increasing the role of this kind of activity of the emission bank that it is more expedient to separate it in the form of a social state department under the jurisdiction of the Bank of Russia.

Unfortunately, the analytical-informational function of the Central Bank has almost not been designated in legislation and is clearly in need of improvement in terms of content. The Bank of Russia should provide analysis of the monetary-credit sector, payment discipline, the dynamics of prices and savings, prognostication of the development of monetary-credit relations in the country, and on a regular basis publish information about the condition of the money supply and the payment condition of the state and branches of the national economy.

On the whole, we are inclined to think that the most important thing in the reform of the Central Bank of Russia should be not so much renovation of its management structures as maintenance of its activity. Whether the Central Bank will be constructed according to the American model (Federal Reserve System) or the German model (Bundesbank) is, as they say, of little importance. Both the German and the American models deserve respect not because of their particularity, the exclusive features of their construction, but because of their content, their smooth operation, their analytical potential, a particular monetary view, and their evaluation of the development of production.

The formation of the *National Banking Council of Russia* as an organ not under but over the Central Bank should help in the matter of restructuring the banking system. The National Banking Council should include representatives of state power, the Bank of Russia, commercial banks, the national economy, trade unions, and the scholarly community. The purpose of this Council is to consolidate the interests of the Bank of Russia, the national economy, the government, and the banking community as a whole, to develop recommendations for the Central Bank of Russia concerning strategic issues in the development of the banking system and the most crucial current problems of monetary-credit regulation and the development of a legislative and normative base, and to work out a policy for interaction between the Russian and the world banking systems in financing state programs for the development of the country's economy (including the private sector) and a number of other fundamental decisions. This Council could also take on functions of coordinating research problems of banking, international relations, and programs for reconstruction of the Russian banking system and inform the country's president and State Duma in periodical reports on the condition of the monetary-credit system.

Decisions of the Council as the national organ for the Central Bank of Russia could be an essential aid in implementing the general program for transforming the banking sector.

An important direction for the reform of the Central Bank is to increase its role in the formation of the banking infrastructure, providing for reliability, stability, and viability of the banking system and protection of the interests of the depositors. The banking infrastructure includes the development of legal foundations and methodological and scientific support, the development of bookkeeping and auditing, the formation of structures providing ratings of banks and their clients, training and retraining of personnel, etc. Unfortunately, the Central Bank of the Russian Federation has organized all these structures poorly and their condition gives cause for serious alarm. As was already noted, Russia really has no banking system because it lacks, among other things, this most important element, without which the concept of a banking system is given a literary, prosaic, but not strictly defined scientific interpretation. In order to form a banking infrastructure it is necessary:

- to step up the work for creating methodological support for the activity of banks (regulations, instructions, and methodological and practical aids);
- to form on a joint-stock basis a Fund for the Development of Basic Research and Modern Banking Technology;
- to develop a plan for priority research in the area of banking;

- to form analytical consultation firms with a banking profile as parts of the Central Bank of Russia and independent founders;
- to prepare a program for extensive on-the-job training of Russian economists in Western banks and banking scientific centers;
- to form a permanent international work group of experts working on problems of regulating banking in Russia;
- to draw up a state program for the development of training and retraining of personnel with a financial-banking profile;
- to form a network of certified educational institutions providing for continuous personnel training;
- on the scale of the country, to develop a system of training and retraining teaching personnel for educational institutions and replacing scientific cadres;
- to set up a system of information support, including a rating system for evaluating the activity of banks and their clients (on the basis of special agencies and joint-stock companies and the creation of rating information), publication of archive and contemporary statistical materials on the condition of banking in the country, etc.

It is necessary to establish the *responsibility of the Central Bank of the Russian Federation for the creation of a system for insuring deposits and other systems providing for stability of the functioning of banks and the preservation of confidence in them*. It seems that insuring deposits and investments (especially of the population) should be organized on a centralized basis, creating for this purpose a "Specialized State Centralized Fund for Insurance of Investments and Deposits."

In order to complete the formation of the banking system of Russia *there will be a considerable amount of work for improving banking legislation*. In such cases everything is usually reduced to amendments to the two existing Laws "On Banks and Banking Activity" and "On the Central Bank of the Russian Federation." Actually a new redaction of them is needed and it is also necessary to update and augment information on a number of important issues we have already discussed as well as other, no less essential ones that have to do with licensing commercial banks, relations between the Central Bank and the legislative and executive branches, etc. But it is not just a matter of these amendments and additions. The modern banking legislative base is fairly limited, it does not encompass the entire banking sector and therefore requires essential expansion. Russia still *has to adopt and implement a legislative program* which includes not only a new redaction of existing laws but also a *package of other laws*, including: "On Organization of Oversight of the Activity of Banks and Special Financial Institutions," "On Bank Holding Companies," "On Procedure for the Activity of Foreign and Joint Banks on the

Territory of the Russian Federation," "On Equal Opportunities and Protection of the Interests of Depositors, Borrowers, and Other Categories of Banks and Special Financial Institutions," "On Savings and Loan Institutions," "On Foundations of the Structure of the Credit System of Russia and Credit Operations," "On Mortgage Banks," "On Bank Secrets," "On Securities and the Stock Exchange in the Russian Federation," "On Financial Companies," "On the System of Insurance in the Russian Federation," etc.

A separate discussion should be devoted to the system of Russian commercial banks, including normatives for regulating their activity, expansion of the network, strengthening of the capital base, and conditions and measures for gradually including Russian banks in the world banking community. But that is the subject for a separate discussion.

Concept of State Participation in Investment Process Viewed

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[Article by Nikita Kirichenko, Aleksandr Privalov, and Andrey Shmarov entitled "Hunting Season for Private Investments Opens"]

[Text] A favorite idea of KOMMERSANT experts, solving the investment crisis through shared participation of the state in investment projects, is definitely acquiring not only well-wishers but active advocates in government organizations. According to information received by the KOMMERSANT editorial staff, the Ministry of Economics has submitted, simultaneously to the government and to the judgment of business circles, "On the Concept of State Participation in the Investment Process Through the Use of Stock Market Instruments." This, of course, is only the first step, but that's why it's important.

Let's Congratulate Ourselves: The First Pancake is Being Baked

Employees of the Central Checking Investment Fund participated with the specialists of the Ministry of Economics in developing the concept, so it seemed natural to make the All-Russian Conference of Checking Investment Funds the site for the document's debut. This was held from 28 March through 1 April in Izhevsk. ChIFs [checking investment funds] approved the basic provisions of the concept, which is natural, as we will soon show.

The heart of the concept is a quite complicated mechanism for "attracting the capital of private investors for achieving goals stipulated by state programs" through the concept of state guarantees of investment activity. We will try to briefly—and consequently in an oversimplified way—to describe the main points of this mechanism.

The state, guided by its priorities, decides to invest in a certain project. It accomplishes this as a purchase from the recipient of the investment of a block of his stock (at face value). The recipient is obligated to subsequently redeem the shares at a price indexed to the dollar (a typical "repo" operation takes place), and also gives the state bills of exchange for yearly payments for interest for credit. For each block of securities redeemed in this manner, the state establishes a trust with a government agency. This agent—here is the central point of the concept—"accepts the indicated securities to its balance in exchange for its own obligations which ensure the attraction of additional investment of private investors and the full repayment of funds to the state, as well as a rate of profit equal to the prime rate during the established time period."

These government agents (the authors of the concept call them "General Investment Funds" or GRIFs [griffin]—smells of Freud, doesn't it?) may be of two types.

First, a GRIF can be a specially created "state guarantee fund." Then the securities it issues would have the status of state securities and represent, according to the authors' notion, an "absolute guarantee" for private investors attracted to participation in the given projects. These are the GRIFs which would have to attract the population's capital, private pension funds, and so on, "minimizing their risk in long-term investment."

Second, a GRIF can be a non-state investment structure. In this case it is delegated "the right to issue state guarantees in the distribution of securities to private investors". For example it could issue bonds to redeem these securities at a certain fixed rate after a certain time period—but not before the given investment project is completed.

"You would never understand what I will get out of this"

The scheme, to be sure, works out beautifully. Practically nothing is required from the agent of the government, the GRIF. Remember: it "ensures... the full repayment of funds to the state, as well as a rate of return equal to the prime rate (! - KOMMERSANT) in the established time period." And it achieves these results entirely from the profits from investments, for, it is assumed, other opportunities for using the money will be closed to it according to the agreement with the state. There are, it turns out, "wonderful growth areas" in our economy, where investments pay for themselves in less than six months (based on the current annual rate for centralized credits of 210 percent)!

What remains incomprehensible is: if the Ministry of Economics specialists concede the presence of such "growth areas" in the economy, then why not just extend credit to them directly—by using the capital of the Central Bank at a refinancing rate with payoff in the aforementioned "established time periods"? KOMMERSANT's experts (possibly due to their naivete) supposed that the government's Credit Commission,

Ministry of Finance, and Ministry of Economics should have been searching for just such ways of financing through centrally allocated resources.

A second unclear point is: why did the document's drafters so blindly believe the credit allocated by the scheme would go to investments, and not to the "idling" which they hate so much? There are so many ways to convert investment money into working capital that it is somehow indecent for the authors of this document to pretend that they are not familiar with at least one.

And finally the third unclear point: why is it necessary to create GRIFs to attract the population's funds to the investment process, inventing two types of state agencies? If you don't want to finance investment projects from Central Bank capital, there is still a way out. Why not, for example, raise the rate on deposits to the Russian Federation Savings Bank to the refinancing rate and attract the population's money this way? After all, the "growth areas" will guarantee everything "up to par" and "on schedule." And the question of guarantees is also solved—deposits in the Savings Bank are guaranteed by the state. There are also other types of profitable and guaranteed assets (GKO's [short-term bonds], gold certificates, "October" and "Oril" series treasury notes) which the state can issue and put the money into investment projects.

In short, KOMMERSANT's experts get the feeling that the proposed scheme does not promise any investment success for either the state or private investors, except for that which could be achieved by quite traditional methods.

On failure and this attempt to kill two birds

Expressing the same conclusion somewhat differently, the concept is inordinately complicated. It has, to use the term of the medieval philosopher, too many superfluous essences, which is bad for two obvious reasons. One, such an intricate design, requiring the creation of a whole cohort of new institutions from materials on hand, will not work in principle—or, at best, will take a long time to start to work. Two, if the state agencies put all their strength into this scheme, then there will be no strength left for the more natural (and that means more promising) methods—as we know, there isn't all that much strength. The good deed of government encouragement of private investment will be left undone.

The reason behind the extreme intricacy of the concept seems perfectly obvious to KOMMERSANT experts. The trouble is that the authors were trying to kill two birds with one stone: provide joint state-private financing of priority projects, and save hundreds of ChIFs from impending oblivion, hiring them in the role of GRIFs.

Actually, the authors (remember that among them are representatives of the ChIFs) don't hide the "dual use" in the concept. That's just the way they write: "At present the checking investment funds, realizing the

difficulties associated with the coming stock market crisis, and the real possibility of total bankruptcy, are completely ready for transformation into investment companies, investment banks, branches and departments of investment banks"—and so on, and so on.

"Such a trend in their development should be supported," but for this reason: "create, based on them, an essential infrastructure of agents of the RF government, who will fulfill the functions listed above."

This train of thought is entirely understandable. Up to now, the ChIFs were engaged in a rather unnatural business—they accumulated certain securities which were artificially invented, not engendered by economic reality, and exchanged them for not very natural shares of stock in enterprises which were to one degree or another doing poorly. Now, when this business has ended with the conclusion of the voucher era, the majority of these economic homunculi, not hoping to survive in a real economy, are hurriedly trying to find another just as unnatural business. But if the ChIFs think the role of government agents in the proposed scheme is just the role which would allow them to survive, then it is hard to agree with them. Reread the list of a GRIFs duties in previous administrations, and you will see that a firm capable of surviving in such work does not need the title of government agent.

But actually the ChIFs would like more: they would like a part of the non-liquid shares of privatized enterprises which they have already accumulated to be at least partially exchanged for state securities within the framework of this scheme. This, of course, is pure insanity; we simply don't feel like commenting on such a plan of partial renationalization of the most hopeless of the enterprises which have just been privatized.

Bad is the block of wood that doesn't want to be Pinocchio

But there is, there is in the document a kernel of truth. If the ministry specialists will rid themselves of their attraction to their entrepreneur partners, who love themselves in business more than the state interests in them (and thank God!), and will chop off superfluous essences, then it is possible to cultivate this kernel. Here is how this agrotechnical operation looks to KOMMERSANT's experts.

First of all, about the guarantees to private investors, whose money will be used to finance the projects. Everything that is written in the document in this regard is too complicated. In reality the matter is much simpler.

Shares in a project will be bought if they are safe and profitable—this is obvious. Here no state guarantees are needed. On the contrary, the state has already compromised itself as a reliable borrower and is just now beginning to win a decent reputation (in particular, in the GKO market). For this reason a far more impressive

recommendation for potential stockholders in a project is the participation of the private investor who invests his own money in it.

From this comes the first conclusion. In each project with shared investment *the already invested private capital* should be clearly visible, with a minimum of commercial secrets and a maximum of openness. Only this condition will create for potential stockholders realistic prerequisites for return on their money. That's the logic of investing. The state only secondarily attracts private money. It primarily seeks projects on which money has already been spent, evaluates them according to their merit, and offers to help with money—on terms advantageous to the private investor.

It's not bad if foreign capital participates in the project, or if the possibility is at least seriously discussed. In the Soviet mind, the capitalist will not miss out on a profit; an analysis of the results of check auctions confirms this recommendation.

Second conclusion. In order to make shares lucrative and attractive to investors, whose funds are needed by the project in addition to the state and private capital already invested, one has to work to improve these shares. It is obvious to everyone, however, that until the project starts to yield a profit, there is no reason to count on dividends. Nevertheless the earning potential of the securities can be ensured if the securities are issued as growth stock.

If a dividend is even paid on growth stock, it is purely symbolic; the profit comes as a result of the increase in price of the security. The point is that effective, even potential, investment in a real sector provides a real basis for growth. First, because the value of the project's assets grows in proportion to its development, even if not yet in operation (recall from our investment surveys how costly unfinished projects are). Second, the nearer the project is to completion, the nearer the time it will begin to yield a return and dividends. And the more clearly visible they are, the higher the price—every child knows this.

For this reason, the role of the "agent of the government" which figures in the Ministry of Economics concept in reality comes down to one thing: it must make markets in stock issues. The task of such a market-maker is to price shares of stock, raise their price, earn on margin. The task, clearly, is difficult, but someone will succeed. Some ChIF, let's say, will succeed—wonderful! (and it's not worth mentioning anything more about checking funds in this context).

This may be the basic scheme. It could be dressed up with various decorations, but the essence won't change.

Let us comment on one other point in the document. For some reason the bureaucrats of the Ministry of Economics are lately more holy than the Pope; one and all shy away from the growth of the budget deficit as from the Devil's temptation. No deficit is fine, but this is

unrealistic. In point of fact the authors estimated the amount of private capital attracted, on which they are counting, to be one trillion rubles. But this is a drop in the bucket—scarcely more than one percent of the year's predicted investment program. What can you do with so little money?

But the idea of shared financing is different. The trick is in return of capital and effectiveness of investments. If shared financing does this, then let the inflated money be invested by the state. Paris, in the end, is worth the mass. And money.

Antimonopoly Committee on Goods Certification System

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in Russian 13 Apr 94 p 2

[Article by Nikolay Podlipskiy: "Antimonopoly Committee Rises Up Against the System"]

[Text] Members of the Government Commission on Operational Matters reacted ambiguously to the view of the Antimonopoly Committee on the need for substantive reform of Russia's system of goods certification. But the State Committee on Antimonopoly Policy (GKAP) was not seriously counting on convincing all opponents right away—its aim was simply to acquaint First Deputy Prime Minister Oleg Soskovets with an alternative point of view on this problem.

[Begin box] Over the period 1992-1993, more than 225,000 certificates were issued for Russian production output, including about 180,000 for foodstuffs. In addition, about 108,000 certificates were issued for import production, of which about 100,000 were for foodstuffs. More than 2,600 product items failed to obtain a certificate due to lack of conformance with safety requirements, including 2,000 food product items. [End box]

Sergey Bezverkhiy, chairman of the Committee on Standardization, Metrology, and Certification, presented his view of the problems of the department under today's conditions. In his words, Russia has presently subscribed to three international certification systems and talks are already nearing conclusion on the adoption of several others (certification of metals, composites, and railroad transportation). A number of unresolved problems exists in the domestic system, however. These problems deal primarily with the poor legislative base—Russia has only six legislative acts "covering" this sphere, while Japan has 33, the United States—160, and the European Community—over 300. In addition, transition from the Soviet certification system to a purely Russian one—GOST R [State Standards—Russia]—must be accompanied by a simultaneous reworking of the "Soviet" standards. However, the committee's capabilities do not permit rapid improvement and perfection of 26,000 old state standards.

Oleg Soskovets concisely expressed his opinion of the report: "loud but incoherent." The first deputy prime minister devoted far greater attention to the report of the Antimonopoly Committee's expert who cast doubt overall upon the advisability of maintaining the Russian system of certification in its present form. In the opinion of GKAP, this system has at least two flaws. The first—mandatory receipt of a certificate of conformance with national state standards (which, incidentally, is a purely Russian invention)—provides no advantage to the Russian exporter from the practical point of view. In the West, the quality of Russian (Soviet) standards themselves still remains to be proved. Even on the domestic market, incidentally, the system of total certification has failed to improve the quality of goods. The second flaw lies in the fact that the Certification Committee combines commercial and control functions—the right to issue certificates of conformance is delegated only to testing centers and laboratories under the committee's jurisdiction. GKAP specialists presently have information on "deals" (between the certification company Rostest-Moscow and the Moscow Customs Office, for example), leading to the formation of a monopoly for this variety of service.

[Begin box] Russia Subscribes to the Following International Certification Systems:

- system of certification of means of road transportation (Geneva Convention of the European Economic Commission of the United Nations);
- system of the International Electrical Engineering Commission for testing electrical equipment with respect to conformance with safety standards (accreditation of Russian laboratories within this framework is scheduled for May 1994);
- the Brussels Convention on Reciprocal Recognition of Control Markings for Firearms and Ammunition (accreditation of Russian laboratories is scheduled for June 1994). [End box]

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[Russian Federation Government decree "On State Program for Demonopolization of the Economy and Development of Competition on the Russian Federation Markets (Main Avenues and Priority Measures)" followed by "State Program for the Demonopolization of the Economy and the Development of Competition on the Russian Federation Markets (Main Avenues and Priority Measures)" and the "Statute on the Interdepartmental Commission for Competition Policy"]

[Text]

Russian Federation Government Decree No. 191 "On the State Program for the Demonopolization of the Economy and the Development of Competition on the Russian Federation Markets (Main Avenues and Priority Measures)"

With a view to implementing the program of the Russian Federation Council of Ministers-Government for 1993-1995, "the development of reforms and the stabilization of the Russian economy" and creating the necessary legal, organizational, and economic conditions for the development of competition on the Russian Federation markets, the Russian Federation Government decrees:

1. That the attached State Program for the Demonopolization of the Economy and the Development of Competition on the Russian Federation Markets (Main Avenues and Priority Measures), hereinafter referred to as the State Program, be approved.

2. That the implementation of the State Program be assigned to the Russian Federation State Committee for antimonopoly policy and the support of new economic structures and its territorial administrations and the organs of executive power of the Russian Federation components.

3. That with a view to ensuring the coordination of measures aimed at the demonopolization of the economy and the development of competition on Russian Federation markets and coordinating the activity of ministries and other federal organs of executive power and the organs of executive power of the Russian Federation's components in implementing the State Program, an interdepartmental commission for competition policy.

That the attached Statute on the Interdepartmental Commission for Competition Policy be approved.

That O.N. Soskovets, first deputy chairman of the Russian Federation Government, be approved as chairman of the Interdepartmental Commission for Competition Policy and that he be instructed to draw up the composition of this commission within two weeks and submit it for approval by the Russian Federation Government.

That the organizational and technical support for the work of the Interdepartmental Commission for Competition Policy be assigned to the Russian State Committee for Antimonopoly Policy and the Support of New Economic Structures.

4. That the Russian Federation Ministry of the Economy in conjunction with the Russian Federation State Committee for Antimonopoly Policy and the Support of New Economic Structures and the Russian Federation State Committee for the Administration of State Property elaborate by 1 May 1994 methodological recommendations for the short-term and long-term forecasting of the economic consequences of implementing, at sectorial and regional level, special measures aimed at developing competition on the Russian Federation markets.

5. That the Russian Federation State Committee for Statistics in conjunction with the Central Bank of the Russian Federation, the Russian Federation Ministry of Finance, the Russian Federation State Committee for Antimonopoly Policy and Support for New Economic Structures elaborate by 1 May 1994 the forms and procedure for statistical reporting on the development of competition on the Russian Federation markets.

6. That the organs of executive power of the components of the Russian Federation implement in the first quarter of 1994 corrections to regional demonopolization programs in accordance with the State Program.

7. That the Russian Federation State Committee for Antimonopoly Policy and the Support of New Economic Structures annually submit to the Russian Federation Government a report on the development of competition on the Russian Federation markets.

8. That the Russian Federation Ministry of Finance in conjunction with the Russian Federation State Committee for Antimonopoly Policy and the Support of New Economic Structures examine in the first quarter of 1994 the question of finance in 1994 for measures to create methodological normative, information, cadres, and technical support for the State Program and to carry out an expert appraisal of the projects implemented within its framework.

9. That the Russian Federation Ministry of Finance, in forming the drafts of the federal budget, provide for the necessary financial resources for the development of the State Program.

[signed] V. Chernomyrdin, chairman of the Russian Federation Government
9 March 1994, Moscow.

State Program for the Demonopolization of the Economy and the Development of Competition on the Russian Federation Markets (Main Avenues and Priority Measures)

1. General Provisions

The state program for the demonopolization of the economy and the development of competition on the Russian Federation markets (main avenues and priority measures), hereinafter referred to as the State Program, establishes the goals, priorities, and place of the demonopolization of the economy and the development of competition in the overall state policy of economic reforms, the stages and methods of the formation and development of a competitive environment, the tasks and measures to demonopolize the economy and develop competition at federal, sectorial, and regional levels, and also restrictions in this field.

The aim of the state policy of the demonopolization of the economy and the development of competition on the Russian Federation markets is to increase social production efficiency on the basis of the market regulation of economic processes.

The main task of the demonopolization of the economy and the development of competition on the Russian Federation markets in 1994-1995 is to reduce the concentration of production and to create the necessary conditions for the development of competition on the Russian Federation markets for priority groups of commodities (operations and services).

The implementation of this task envisages:

- the analysis of the commodity markets which have taken shape and the behavior on them of enterprises and various associations of enterprises which are not the subjects of a natural monopoly;
- the formation of the necessary economic organizational prerequisites for effective competition on the Russian Federation markets;
- the establishment and maintenance of a single economic area on the territory of the Russian Federation;
- the creation of a system of state control and regulation of the activity of subjects of natural and state monopoly;
- the creation of legal and economic organizational conditions for activating the market mechanisms for optimizing commodity flows and forming prices and tariffs for socially important goods and services which are relegated to the sphere of a temporary monopoly;
- the consideration of the market structure when privatizing enterprises with a view to enhancing the competitiveness and effectiveness of their activity;
- the development of entrepreneurship.

The demonopolization of the economy and the development of competition on the Russian Federation markets are interconnected with financial stabilization, anti-inflation measures, and investment and export and import policy. The provisions of the State Program are used when forming other federal programs, including programs for the structural restructuring and development of the economy as a whole and of its individual sectors and also programs for the regions' socioeconomic development.

The direct protection of the competitive environment and businesses [khozyaystvuyushchiye subekty] against monopoly activity is effected on the basis of the Russian Federation Law "On Competition and the Restriction of Monopoly Activity On Commodity Markets" and is not the subject of this State Program.

The process of the formation and development of a competitive environment for markets is geared to the long term, with the annual specification of priorities.

Sectorial programs for the demonopolization of the economy and the development of competition are an inalienable part of the State Program. They include the analysis of the structure of commodity markets broken

down by sector output and of the level and forms of the manifestation of sectorial monopolism, validated proposals for the list of subjects of a natural monopoly, and plans for the demonopolization of the economy and development of competition on the markets of temporary monopolies at federal level. Plans for the demonopolization of the economy and the development of competition on the markets of temporary monopolies which have geographical market borders inside national-state and administrative-territorial formations are coordinated with the organs of executive power of components of the Russian Federation as regards measures affecting the economic interests of national-state and administrative-territorial formations.

Regional programs for the demonopolization of the economy and the development of competition are included in the programs for the region's socioeconomic development and are an inalienable part of these programs. They include an analysis of the structure of commodity markets, validated proposals for the list of subjects of a natural monopoly, and plans for the demonopolization and development of competition on the markets of temporary monopolies at local level. Within regional programs proposals are formed for demonopolization and the development of competition on interregional commodity markets.

The process of the demonopolization of the economy and the development of competition on the Russian Federation markets stipulates a consideration of the following general requirements:

- orientation toward the creation of a competitive market and the protection of consumers' rights and interests;
- the comprehensive nature of the solution of the tasks of demonopolization, privatization, and the structural restructuring of the economy;
- a differentiated approach toward the targets of demonopolization with a consideration for social interests and sectorial (product) and regional features;
- the interconnectedness of the solution of demonopolization problems and the development of competition at the federal, sectorial, and regional levels;
- a consideration of factors of the Russian economy's integration into the world economic system and the openness of commodity markets to international competition combined with measures to protect Russian commodity producers;
- the monitoring of the change in the structure of the market and the compliance of the program implementation mechanism for demonopolization and the development of competition with its structure;
- the ensuring of publicity for the measures which are implemented and for their results.

Temporary monopolies which have arisen as a result of the use of inventions and the introduction of patents and equipment produced under license are not subject to demonopolization for five years as of the moment the license or patent is acquired or the invention is registered.

The State Program does not include among demonopolization measures the establishment of state control and the regulation of prices for temporary monopolies. When high (or low) monopoly prices are set, the suppression of this abuse is in accordance with article 5 of the Russian Federation Law "On Competition and the Restriction of Monopoly Activity on Commodity Markets."

For the purposes of the State Program the following concepts are used:

- commodity market—the market for each commodity, type of operation or service (hereinafter referred to as commodity) or for each group of interchangeable commodities;
- interchangeable commodities—commodities which are close to each other in terms of consumer properties and satisfy basically the same needs;
- the market's commodity borders—the selection (list) of goods which are interchangeable or satisfy a specific need;
- geographical borders of the market—the sphere of circulation of a commodity and its substitutes, defined on the basis of the economic opportunities of consumers for acquiring the commodity on the relevant territories and the lack of such opportunities outside the territories' borders (by relevant territories, together with national-state and administrative-territorial formations is also understood groups of population centers or other territories within the borders of these formations);
- demonopolization—the reduction of the concentration of the production of goods and the creation of the necessary conditions for the development of competition on commodity markets;
- natural monopoly—a monopoly whereby the creation of a competitive environment on the commodity market (including through the import of output onto a given market) irrespective of the level of demand is impossible or economically ineffective given the existing level of scientific and technical progress;
- state monopoly—a monopoly created in accordance with Russian Federation legislation defining the commodity borders of the monopoly market, the subject of the monopoly (monopolist), the forms of control and regulation of his activity, and the competence of the controlling organ;
- temporary monopoly—a monopoly under the conditions of the temporary absence of competition;

—group of enterprises—amalgam of businesses having relations based on direct or indirect property control of one business over one other (or other) businesses through the possession of a controlling block of shares (holdings, stakes) in the incorporation capital or by exerting decisive influence by other means on the decisions which are made. With regard to the aims of demonopolization a group of enterprises is seen as a single business.

2. Priorities of Policy of Demonopolization of the Economy and Development of Competition on the Russian Federation Markets for 1994-1995

The following priority avenues for the policy of the demonopolization of the economy and the development of competition on the Russian Federation markets are defined for the immediate future:

- the creation of a legal normative and organizational basis for state control and regulation of the activity of the subjects of natural and state monopolies;
- the implementation of priority measures to demonopolize economic complexes: the trade, construction, communications, transport and road (except for railroad), and machine building complexes;
- the implementation of state control over the progress of the privatization of state and municipal enterprises with a view to observing antimonopoly requirements and preventing the creation of new monopoly structures which are not natural monopolies;
- the elimination of economic and administrative barriers for the free movement of commodities, services, and capital on the Russian Federation markets;
- the reduction of financial and economic, organizational, and legal barriers to the entry of new competitive structures onto the market (footnote), (by financial and economic, organizational, and legal barriers is meant the usually non-returnable expenditure when organizing and carrying out production, various restrictions when investing in projects and providing credits, leasing premises, making use of land, and gaining access to sources of raw material, technologies, sales markets, and commercial information);
- the propaganda of the policy of the demonopolization of the economy and the development of competition on the Russian Federation markets and the training of cadres for the implementation of antimonopoly legislation and the demonopolization of various spheres of the economy.

3. Policy of demonopolization of the economy and development of competition on the Russian Federation markets under the conditions of integration processes in industry

The Russian Federation law "On Competition and the Restriction of Monopoly Activity On Commodity Markets" stipulates the absence of opposition to structures which dominate the Russian market if:

- their activity is economically justified, accords with consumers' interests, and does not lead to the narrowing of the market's competitive environment;
- they do not abuse their dominant position on the Russian market and do not allow monopolist actions, defined by articles of the Russian Federation law "on competition and the restriction of monopoly activity on commodity markets."

That is why, when determining the expediency of creating industrial or financial and industrial groups operating on Russian markets, there must be a consideration of the predicted likely impact of a group's activity on the state of competition.

Here it is essential to observe the following conditions:

- to avoid abuse of a dominant position large industrial or financial and industrial groups are not allowed to acquire monopoly influence on local commodity markets or to restrict access to them to other businesses, including foreign subjects;
- an industrial or financial and industrial group must not include supplying firms or consuming firms if they occupy a dominant position on the relevant markets;
- when creating industrial or financial and industrial groups on the basis of the principles of export cartels, firms which are competitors on a particular commodity market should not unite if the inclusion of these firms in the group will lead to the substantial complication or restriction of competition on the domestic market.

4. Organizational and Cadres' Backup for the State Program for the Demonopolization of the Economy and the Development of Competition on the Russian Federation Markets.

The implementation of measures to demonopolize the economy and develop competition on the Russian Federation markets provides for the creation of the relevant organizational mechanism for implementing the State Program.

The implementation of the State Program is assigned to the Russian Federation State Committee for Antimonopoly Policy and the Support of New Economic Structures and its territorial administrations and organs of executive power of the components of the Russian Federation.

The coordination of the actions of ministries and other federal organs of executive power and the organs of executive power of components of the Russian Federation in implementing the State Program is implemented by the interdepartmental commission for competition policy.

Regional commissions for competition policy can be created at regional level by a decision of the organs of executive power of components of the Russian Federation.

To ensure the implementation of the State Program it is essential to implement measures to form a positive public opinion of problems of the demonopolization of the economy and the development of competition on the Russian Federation markets and of the work of the organs assigned the implementation of the State Program.

Propaganda support for the State Program envisages:

- the holding of regular consultations between antimonopoly organs and societies for the protection of consumers' rights, unions of entrepreneurs and industrialists, trade unions, and other public organizations;
- acquainting representatives of ministries and other federal organs of executive power and organs of executive power of components of the Russian Federation, businesses, entrepreneurs, trade unions, and the population with the State Program and antimonopoly legislation;
- disseminating in the mass media items on questions of the demonopolization of the economy and the development of competition on the Russian Federation markets.

The training and retraining of cadres in the field of demonopolization envisages:

- the study of the need for cadres and the development of training programs for avenues of demonopolization of the economy and the development of competition on the Russian Federation markets;
- the preparation of complete sets of training and methodological manuals, the translation and adaption of foreign materials on questions of the demonopolization of the economy and the development of competition on the Russian Federation markets;
- the organization of training, retraining, and the improvement of qualifications for workers in the organs assigned the implementation of the State Program;
- the formation and development of the relevant centers for training cadres and the organization on their basis of a consultative service for questions of the demonopolization of the economy and the development of competition on the Russian Federation markets.

5. Information and Technical Backup for the State Program for the Demonopolization of the Economy and the Development of Competition on the Russian Federation Markets

Antimonopoly regulation, demonopolization, and the development of competition on the Russian Federation

markets require information on the level of monopolization of markets and the monopoly actions of businesses on them.

To this end an information and reference system should be created for antimonopoly regulation and the demonopolization of the economy and development of competition on the Russian Federation markets.

To implement this task it is necessary:

- to put in order the Russian State Committee for Statistics' existing system of statistical reporting with a view to ensuring the comprehensive provision of information on the reforming of the economy, expanding the use of selective methods of collecting information about businesses of all organizational and legal forms of ownership operating on commodity markets, and determining the procedure for obtaining information on the activity of businesses on commodity markets and the transmission of this information to the organs assigned the implementation of the State Program;
- to integrate the information resources of ministries, other federal organs of executive power, and the organs of executive power of the components of the Russian Federation, to simplify information exchange procedures, to organize the collaboration of organs assigned the implementation of the State Program with the organizations holding the relevant information, and to ensure the use of existing data bases and banks and the creation of new ones to analyze quantitative and qualitative indicators of the commodity markets;
- to create software for the proposed information and reference system and automated work stations for the solution of tasks and the implementation of plans for demonopolization and the development of competition on the Russian Federation markets.

6. Financial Support for the State Program for the Demonopolization of the Economy and the Development of Competition on the Russian Federation Markets

The sources of finance for measures and work to implement the State Program and to elaborate, amend, and implement the sectorial and regional programs for demonopolization and the development of competition which are being implemented within the framework of the State Program are the funds of the federal budget and the budgets of national-state and administrative-territorial formations of the Russian Federation and also the funds received from the privatization of state and municipal property and the relevant extrabudgetary funds and voluntary contributions from enterprises, institutions, and organizations.

Here measures and operations for the information backup for the implementation of the state program, for the conducting of the relevant targeted research, the preparation of legislative acts and methodological norm

materials, the organizational and technical backup for the organs assigned the implementation of the State program, the training of the relevant specialists, and the monitoring of the progress of implementation, are financed predominantly through federal budget funds allocated directly to the Russian Federation state committee for antimonopoly policy and the support of new economic structures.

The financing of measures and work to elaborate, amend, and implement regional programs for the demonopolization of the economy and the development of competition is through the budgets of the relevant components of the Russian Federation and the money received from the privatization of state and municipal property.

The financing of the elaboration, amendment, and implementation of sectorial programs for demonopolization and the development of competition is mostly through the relevant extrabudget funds and voluntary donations from enterprises, institutions, and organizations.

The diversification and deamalgamation of enterprises, institutions, and organizations with a view to creating competing structures are implemented and financed as a rule within the framework of programs for the structural restructuring of the economy and conversion.

Tax benefits stipulated by legislation can be used to encourage initiative-driven deamalgamation of businesses.

Specific shape to the provisions of the State Program set out in sections 1-6, the most important work and measures to implement it, and the basic tasks of the demonopolization of the economy and the development of competition on the Russian Federation markets and also general methods of resolving these tasks are given in appendices 1-5 of the State Program.

Appendix No. 1. Amalgamated Structure of the Information and Reference System of Antimonopoly Regulation, Demonopolization of the Economy, and Development of Competition on the Russian Federation Markets

[Following information is presented in tabular form in original; numbered subtitles below refer to "sub-systems"; information is presented in three columns headed "Basic functions, tasks"; "Types of information"; and "Sources of information according to type"; these are indicated in text below as "Function," "Information," and "Sources of information" respectively]

1. Regulation and Management at Federal Level

[Function] Determining the structure and powers of federal organs of executive power.

[Information] Legislative and other statutory acts of federal organs of executive power. Functions, rights, and responsibility of ministries and other federal organs of executive power.

[Sources of information] Federal Government Communications and Information Agency's GUIR [not further identified]; information services of ministries and other federal organs of executive power.

[Function] Determining the structure of state ownership.

[Information] Program principles and practice of implementation of privatization; proportion of state ownership.

[Sources of information] Russian Goskomimushchestvo [State Committee for the Management of State Property].

[Function] Support for enterprise and the development of competition on Russian Federation commodity markets.

[Information] Volume, forms, and terms of financial support for enterprise and the development of competition.

[Sources of information] Russian Ministry of Finance, Russian Ministry of the Economy, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures.

[Function] Price regulation.

[Information] Setting of prices for products bought into federal, reserve, and special stocks. Regulation of prices for the products of subjects of natural monopolies.

[Sources of information] Russian Ministry of the Economy, Russian Ministry of Finance, organs of regulation of the activity of natural monopolies.

[Function] State regulation of commodity and financial markets.

[Information] Information on export and import concessions, quotas, licenses, customs duties and rules, subsidies, subventions, and the financing of the activity of enterprises and development projects and programs from the federal budget. Volume and recipients of credit support, terms for the issuing of credits, bank interest rates. Data on the licensing of individual types of activity and on the taxation system. Volume of deliveries of products for state needs, regulation of channels of sale.

[Sources of information] Russian Ministry of the Economy, Russian Ministry of Foreign Economic Relations, Russian State Customs Committee, Russian Ministry of Finance, Bank of Russia, Russian State Tax Service.

2. Structure of Internal Markets

[Function] Defining groups of interchangeable products.

[Information] Classifications of types of activity, products, and services; expert assessments.

[Sources of information] Russian Federation Committee for Standardization, Metrology, and Certification, Russian State Committee for Statistics, the information and sociological services of ministries and other federal organs of executive power.

[Function] Identifying businesses which compete with one another. Defining the boundaries and capacity of commodity markets. Calculating the businesses' share of commodity markets.

[Information] Volume of production and deliveries of groups of interchangeable products by businesses. Volume of imports and exports of products to the territory of the Russian Federation and its regions. Dynamics of prime cost, ex-factory prices, and end prices of products. Dynamics of inflationary processes. Population's effective demand. Degree of satisfaction of public need for products.

[Sources of information] Russian State Committee for Statistics, Russian Federation Committee for Trade, Russian State Customs Committee, information services of organs of executive power of Russian Federation components, Russian Ministry of the Economy, Russian Ministry of Finance.

3. Activity of Groups of Businesses on Internal Markets

[Function] Identifying a list of groups of businesses and the composition of each group with reference to the market on which they are active. Calculating the market share of the group of businesses. Identifying forms and indicators relating to the merging of businesses within the group. Evaluating forms and indicators relating to anticompetitive activity by groups of businesses.

[Information] Management structure of the sector (sub-sector) and main indicators of the economic activity of businesses belonging to it; register of financial and industrial groups. Volume of production and deliveries to the market of the products of businesses belonging to the group. Founding documents of businesses belonging to the group. Instances of anticompetitive behavior on the market by businesses belonging to the group or by the group as a whole.

[Sources of information] Russian Ministry of the Economy, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, Russian State Committee for Statistics, information services of ministries and other federal organs of executive power, businesses, registration services of local organs of power, courts of arbitration.

4. Economic Situation on Commodity Markets Subject to Demonopolization

[Function] Identifying businesses operating as suppliers on the commodity market and indicators relating to their activity.

[Information] Volume of production and delivery of products by businesses operating as suppliers on the commodity market.

[Sources of information] Russian State Committee for Statistics, information services of federal organs of executive power and organs of executive power of the Russian Federation components, businesses.

[Function] Identifying businesses operating as purchasers (or citizens as consumers) on the commodity market, their need for products and ability to pay.

[Information] Volume of purchases and consumption of products by businesses operating as purchasers (or citizens as consumers) on the commodity market. Degree of satisfaction of need and demand.

[Sources of information] Russian State Committee for Statistics, Russian Federation Committee for Trade, commodity exchanges, trading establishments.

[Function] Comparative analysis of prices for similar products on different geographical markets.

[Information] Dynamics of prices for products on geographical markets.

[Sources of information] Russian State Committee for Statistics, Russian Ministry of the Economy, Russian Ministry of Finance.

5. Financial Market

[Function] Monitoring of the formation of financial and industrial groups. Monitoring of packages of stocks and shares acquired and share of participation in incorporation capital of businesses.

[Information] Share represented by banks and other financial entities among the body of founders of financial and industrial groups. Share represented by businesses among the body of founders of financial and industrial groups. Information on the acquisition of stocks, shares, and share in incorporation capital of businesses by legal entities, individuals, and financial entities. Information on the activity of commercial banks, stock exchanges, investment funds, check auctions, and agents on the insurance market.

[Sources of information] Russian Goskomimushchestvo, Russian Ministry of Finance, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, stock exchanges' interexchange information structures, investment funds, Bank of Russia, Russian State Committee for Statistics, registration services of local organs of power, check auctions, insurance companies.

6. Development of Enterprise

[Function] Monitoring of the activity of small enterprises. Observation of the activity of enterprise support

funds. Support for small business infrastructure. Development of educational base for the training of entrepreneurs.

[Information] Number of small enterprises by sector, number of people employed at enterprises, their average wage. Volume of products produced by small enterprises and their share of the total production volume. List of enterprise support funds, volume, forms, and terms of financial support for small business, sources of funds, areas of their utilization. List and schedule for fulfillment of regional programs being implemented with the use of resources from enterprise support funds. Information on small business infrastructure and the activity of educational structures training entrepreneurial cadres.

[Sources of information] Russian State Committee for Statistics, Russian Ministry of the Economy, Russian Ministry of Finance, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, information services of organs of executive power of Russian Federation components.

Appendix No. 2. Plan of Measures for the Implementation of the Aims and Tasks of Demonopolization of the Economy and Development of Competition on the Russian Federation Markets in 1994-1995

[Following information is presented in tabular form in original, with three columns headed "Content and area of operations," "Date set for implementation," and "Body responsible for execution or drafting"; these are indicated in text below as "Content," "Date," and "Body responsible" respectively]

1. [Content] Formulation of legal support for operations in the demonopolization of the economy and the development of competition on Russian Federation markets.

1.1. [Content] Draft law "On Monopolies," defining the procedure for state monitoring and regulation of subjects of natural and other types of monopolies at federal and local level.

[Date] March 1994.

[Body responsible] Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, Russian Center for Privatization, Russian Ministry of the Economy, Russian Goskomimushchestvo, RTsER [not further identified], Russian State Committee for Industrial Policy, Russian State Committee for the Defense Sectors of Industry, Russian Ministry of Fuel and Energy.

1.2. [Content] Draft law "On Organized Commodity Markets," defining the legal bases of trade brokerage and the procedure for trading in the form of auctions, fairs, and tender deals, as well as trade on exchanges.

[Date] December 1994.

[Body responsible] Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, Russian Ministry of the Economy, RTsER, interested ministries and departments.

1.3. [Content] Draft law "On Mergers and the Concentration of Production and Capital," defining the levels of concentration of production and capital achieved through mergers which are subject to control, as well as a system of antimonopoly bans with a view to preventing monopolization of markets.

[Date] June 1994.

[Body responsible] Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, Russian Center for Privatization, Russian State Committee for Industrial Policy, Russian State Committee for the Defense Sectors of Industry, interested ministries and departments.

1.4. [Content] Draft law on amendments and additions to the RSFSR Law "On Foreign Investments in the RSFSR," reflecting the change in Russia's state status and system of state power and widening legal guarantees of the protection of foreign investments with a view to developing a competitive environment in Russia's internal market.

[Date] April 1994.

[Body responsible] Russian Ministry of Foreign Economic Relations, RTsER, Russian Ministry of the Economy, Russian Ministry of Fuel and Energy, Russian State Committee for the Defense Sectors of Industry, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, Russian Ministry of Finance.

1.5. [Content] Draft law "On Concessions," defining the terms and procedure for their creation on Russian Federation territory with a view to developing the economy and the competitive market environment.

[Date] April 1994.

[Body responsible] Russian Ministry of the Economy, Russian Ministry of Foreign Economic Relations, RTsER, Russian State Committee for Industrial Policy, Russian Ministry of Fuel and Energy, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures.

1.6. [Content] Draft law "On Amendments and Additions to Russian Federation Legislation on Taxation," with a view to stimulating processes of demonopolization of the Russian Federation economy and the development of competition on commodity markets.

[Date] March 1994.

[Body responsible] Russian Ministry of Finance, Russian State Tax Service, Russian Ministry of the Economy, Russian State Committee for Antimonopoly

Policy and Support of the New Economic Structures, interested ministries and departments.

2. [Content] Adjustments to programs for demonopolization and the development of competition on the markets for the output of economic complexes in line with the provisions of the State Program for Demonopolization of the Economy and the Development of Competition on the Russian Federation Markets (Basic Guidelines and Priority Measures).

2.1. [Content] Trade.

[Date] April 1994.

[Body responsible] Russian Federation Committee for Trade, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, Russian Goskomimushchestvo, Russian Ministry of Finance, Russian Federation Committee for Standardization, Metrology, and Certification, Russian Ministry of Agriculture and Food, Russian Ministry of Foreign Economic Relations, Russian State Committee for Statistics.

2.2. [Content] Transport and roads economic complex.

[Date] April 1994.

[Body responsible] Russian Ministry of Transport (Department of Air Transport, Department of Maritime Transport, Department of River Transport, Department of Motor Vehicle Transport, Federal Roads Department), Russian Goskomimushchestvo, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, aviation transport enterprises.

2.3. [Content] Construction economic complex.

[Date] April 1994.

[Body responsible] Russian State Committee for Construction, Russian Ministry of the Economy, Russian State Committee for Statistics, Russian Goskomimushchestvo, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures.

2.4. [Content] "Communications" economic complex.

[Date] April 1994.

[Body responsible] Russian Ministry of Communications, Russian Ministry of the Economy, Russian State Committee for the Defense Sectors of Industry, Russian Goskomimushchestvo, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures.

3. [Content] Formulation of programs for demonopolization of the economy and the development of competition in sectors not defined as priority avenues of the policy for demonopolization of the economy and the development of competition on Russian Federation markets in 1994-1995.

[Date] In accordance with existing statutory acts.

[Body responsible] Russian State Committee for Industrial Policy, Russian Ministry of Railways, Russian Ministry of Agriculture and Food, Russian Ministry of Fuel and Energy, Russian State Committee for the Defense Sectors of Industry, Russian Federation Committee for Geology and the Use of Natural Resources, Russian Federation Committee for Machine Building, Russian Federation Committee for Metallurgy, Russian Federation Committee for Water Resources, Russian Federation Committee for Fishing, Russian Federation Committee for the Chemical and Petrochemical Industry, Russian Federal Forestry Service, Russian Federation Committee for the Distribution of Printed Materials, Russian FSTR [not further identified], Russian KMFT [not further identified], Russian Ministry of Health and Medical Industry, Russian Ministry of Culture, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures.

4. [Content] Formulation of a program for demonopolization of foreign trade associations and creation of a system of equal access to foreign markets for exporting enterprises with a view to increasing the effectiveness of exports.

[Date] April 1994.

[Body responsible] Russian Ministry of Foreign Economic Relations, interested ministries and departments, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures.

5. [Content] Formulation of a program for demonopolization of the credit and finance sphere.

[Date] April 1994.

[Body responsible] Bank of Russia, Russian Ministry of Finance, Commission for Securities and Stock Exchanges Under the Russian Federation President, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, Russian Ministry of the Economy.

6. [Content] Formulation of regional programs for demonopolization of the economy and the development of competition in accordance with the provisions of the State Program and systems of information support for local commodity markets.

[Date] April 1994.

[Body responsible] Organs of executive power of the Russian Federation components, territorial administrations of the Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures.

7. [Content] Expert study of draft federal, sector, and regional programs for the structural restructuring of the economy, including programs for the dismantling of state ownership, privatization, demonopolization, and the development of competition.

[Date] Continuously.

[Body responsible] Interdepartmental Commission on Competition Policy, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures and its territorial organs.

8. [Content] Implementation of measures to break up associations, concerns, and other formations which are hampering the development of competition on the federal commodity market.

[Date] 1994.

[Body responsible] Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures and its territorial organs, organs of executive power of the Russian Federation components, ministries and departments.

9. [Content] Implementation of measures aimed at the demonopolization of the economy and the development of competition within the framework of sector and regional programs.

[Date] In accordance with plans and work schedules.

[Body responsible] Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures and its territorial organs, local organs of executive power, ministries and departments.

10. [Content] Development of enterprise.

[Date] Continuously.

[Body responsible] Russian Ministry of the Economy, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, ministries and departments.

11. [Content] Organizational and cadre support for the State Program.

[Date] Continuously.

[Body responsible not stated]

11.1. [Content] Preparation of programs for specialized training courses in antimonopoly policy, demonopolization of the economy, and the development of competition, for use as a basis at various levels of the system of education and retraining of cadres.

[Date] 1994.

[Body responsible] Russian Ministry of Education, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, ministries and departments.

11.2. [Content] Presentation of scientific study, information, and educational programs on radio and television, preparation of a series of articles in the periodical press and pamphlets on problems of demonopolization of the economy and the development of competition.

[Date] Continuously.

[Body responsible] Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, Russian Federation Committee for the Distribution of Printed Materials, Russian FSTR, ministries and departments.

12. [Content] Information and technical support for the State Program.

12.1. [Content] Formulation of a technical plan for the creation of an integrated state information system for observation, monitoring, and regulation of commodity markets at federal and regional levels.

[Date] April 1994.

[Body responsible] Russian State Committee for Statistics, Russian Ministry of the Economy, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, Russian Goskomimushchestvo, Russian State Committee for Standardization, Metrology, and Certification, Russian Federation Committee for Trade, Russian Ministry of Finance, interested ministries and departments.

12.2. [Content] Introduction of the integrated state information system for observation, monitoring, and regulation of commodity markets at federal and regional levels.

[Date] 1994.

[Body responsible] Russian State Committee for Statistics, Russian Ministry of the Economy, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, Russian Goskomimushchestvo, Russian State Committee for Standardization, Metrology, and Certification, Russian Federation Committee for Trade, Russian Ministry of Finance, interested ministries and departments.

12.3. [Content] Formulation of a technical plan for an integrated state information system for observation, monitoring, and regulation of financial markets at federal and regional levels.

[Date] April 1994.

[Body responsible] Russian Ministry of Finance, Bank of Russia, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures, interested ministries and departments.

13. [Content] Introduction of the integrated state information system for observation, monitoring, and regulation of financial markets at federal and regional levels.

[Date] 1994.

[Body responsible] Russian Ministry of Finance, Bank of Russia, Russian Ministry of the Economy, Russian State Committee for Antimonopoly Policy and Support of the

New Economic Structures, interested ministries and departments. [numbering of items 12.3 and 13 as published]

14. [Content] Monitoring of the course of implementation of the State Program.

[Date] Continuously.

[Body responsible] Interdepartmental Commission for Competition Policy, Russian State Committee for Antimonopoly Policy and Support of the New Economic Structures and its territorial organs, organs of executive power of Russian Federation components.

Appendix No. 3. Standard List of Tasks for the Demonopolization and Development of Competition on the Commodity Market with a Stable Structure

The standard list of tasks for the demonopolization and development of competition on the commodity market with a stable structure is used to form sectorial and regional programs for the demonopolization of the economy and the development of competition. It is based on an analysis of the relevant market and the provisions of the State Program for the demonopolization of the economy and the development of competition on the Russian Federation markets and proceeds from the goal of creating conditions for the development of competition on a specific commodity market.

I. General Signs of the Presence of a Competitive Environment on the Commodity Market

1. There should be operating on the market suppliers—independent in property and organizational terms—of goods in a quantity sufficient for the emergence of competition between them. The independent suppliers of a commodity under review can be independent producers of this commodity or sellers of a commodity from independent producers, or independent sellers of the commodity of one producer on condition that there is no vertical agreement between suppliers and producers restricting the freedom to set prices and delivery volumes. The quantity of suppliers on the market sufficient to create a competitive environment depends on the form of commodity, the nature of consumption, and the level of demand. That is why the task of creating a competitive environment for each commodity requires its own special implementation mechanism.

2. There should be operating on the market purchasers—independent in property and organizational terms—of commodities in a quantity sufficient for competition between them and for the formation of a certain level of effective demand. Independent purchasers can be the final consumers of a particular commodity or middlemen in its sale. To implement the real independence of middlemen it is essential that they supply their commodity to consumers who are independent in property and organizational terms. The number of purchasers

on the market sufficient to create an independent environment depends on the type of commodity, the nature of its consumption, and the level of demand.

3. To ensure effective competition on the market under review, the economic dimensions of enterprises should be comparable (footnote) (the economic dimensions of enterprises competing on the market depend on production expenditure, the level of demand, and the market's geographical and commodity borders and as a rule are measured by the annual turnover of capital and volumes of production or deliveries).

4. The market's competitive environment is maintained by the lack of economic and other obstacles in access to raw and semifinished materials, subassemblies, capital, manpower resources, technologies, and information backup for market relations and of barriers to entering the market in the form of territorial, legal, property, and other economic restrictions.

5. A competitive market is characterized by the independent economic behavior of suppliers and consumers (the lack of deals and horizontal agreements).

II. Requirements for Indicators Characterizing the Economic Situation on a Competitive Commodity Market. (These requirements determine guidelines in the process of making decisions on demonopolization and in the choice of methods for demonopolizing markets with a stable structure. Specific markets dictate their own individual conditions for the development of competition.)

6. The total number of suppliers of output to a given commodity market should meet the requirements of competition. The minimum necessary number of suppliers for the creation of a competitive environment can be set by proceeding from the specifications of the output, the size of the market, and other indicators. If the actual number of suppliers on the market is less than standard, measures to demonopolize it should include an increase in the number of suppliers.

7. All suppliers of output to a given commodity market with a view to effective competition and to avoid abuses of a dominant position must to a certain extent be comparable in terms of volumes of deliveries to a given commodity market in physical terms. This requirement does not apply to markets in the period of the alteration of their structure, for instance thanks to the expansion of the volume of deliveries or to deliveries of new output as a result of the improvement of the organization and (or) technology of production.

III. Standard List of Tasks for Demonopolization and the Development of Competition on the Commodity Market

8. The standard list of tasks for demonopolization and the development of competition on the commodity market includes:

a) the formation of proposals for the composition of natural monopolies with a consideration for the possibility and economic effectiveness of creating a competitive environment on the commodity market under review, including through the import of output. The inclusion of natural monopolies in the system of observation, control, and regulation of activity on a legislative basis;

b) the definition of commodity priorities and stages of demonopolization and the development of competition on commodity markets of temporary monopolies at federal and regional levels on the basis of an analysis of the volumes and structure of output consumption and the distribution of levels (groups) of consumption of output according to degree of priority;

c) the determination of the geographical borders of commodity markets categorized as commodity priorities in the relevant stage of demonopolization and the development of competition;

d) the assessment of the actual structure of the commodity market and the indicators characterizing the economic situation on the commodity markets which have been hived off and their recording as standard markets. This work is performed with the aid of the information and reference system for antimonopoly regulation, the demonopolization of the economy, and the development of competition on the commodity market. The actual structure of the commodity market and the indicators characterizing the economic situation on it are to be published regularly. On the basis of the results of an analysis of the actual structure of the commodity market and the economic situation on this market the standard number of suppliers on the market under review is selected and a decision is made on the sufficient number of suppliers of output to a given commodity market or on the need to increase them. A business which has undergone registration at the relevant organ of executive power or which has a license to supply output to the commodity market under review can be described as a supplier of output to a given commodity market provided that the business' property is not controlled by another business supplying output to this market. Otherwise both businesses must be regarded as a single supplier. A decision is also made on the absence or presence of the domination of businesses on the commodity market under review and the need (or absence of need) to take steps to change the structure of this market;

e) the formation of a list of subtasks for the stage of demonopolization of a given regional or federal commodity market whose composition and content are determined by the need to encourage the transformation of these markets' monopoly structure into a competitive structure;

f) the elaboration of measures for demonopolization and the development of competition on the commodity

markets which have been hived off, which must be synchronized and can include successively:

- an increase in the number of suppliers and the volume of output deliveries through the import of output from abroad or from other regions;
- the lowering of barriers to entry onto the market;
- the abolition of interregional barriers to commodity exchange;
- the privatization and hiving off of independent enterprises from their associations;
- the creation of corporate bodies on the basis of structural subdivisions of existing enterprises on condition that the main production is preserved and there is a demand for this output;
- the development of entrepreneurship and the creation of small enterprises to saturate the market with these enterprises' finished output or to create a competitive environment for the repartitioning of technologies;
- the inclusion of the output of monopoly enterprises in market systems for its sale on competitive markets, including foreign markets;
- the sale of output through the organization of marts and auctions;
- the extensive provision of information for purchasers on prices for commodities in other regions.

Appendix No. 4. General Methods of Increasing the Number of Suppliers on the Commodity Market

[The following material is published in the form of a two-column table, with the left column headed "General Methods of Increasing the Number of Suppliers on the Commodity Market" and the right column headed "Conditions in Which the General Methods of Increasing the Number of Suppliers on the Commodity Market Can Be Applied"; these are indicated in text below as "General methods" and "Conditions"]

[General methods] 1. Importing interchangeable goods from neighboring regions or nearby foreign countries and those further afield

[Conditions] When there is a shortage or when there is high demand and insufficient competition on the domestic market

When there are low customs barriers to the import of goods

When there is the normative-legal, economic, and informational backup for imports

[General methods] 2. Hiving off independent businesses from associations of enterprises producing interchangeable products

[Conditions] Given the possibility of the technological, organizational, and (or) territorial splitting up of the enterprises

When it is possible to demarcate enterprises' spheres of activity within the framework of commodity specialization

Given normative-legal, economic, and informational backup for access to resources, including credits, and markets

[General methods] 3. Hiving off independent businesses from associations of enterprises producing non-interchangeable products and hiving off individual sections or shops on the initiative of the labor collective during the privatization process or by means of the compulsory splitting up of businesses

[Conditions] When there is a possibility of the technological, organizational, and (or) territorial splitting up of the enterprises, structural subdivisions, or structural units

Given the possibility of demarcating the spheres of influence of enterprises, structural subdivisions, or structural units within the framework of commodity specialization

If such hiving off promotes the development of competition

Given normative-legal, economic, and informational backup for access to resources, including credits, and markets for the hived-off businesses

[General methods] 4. Developing entrepreneurship with a view to demonopolizing markets in accordance with the priorities of the policy of demonopolizing the economy and developing competition on Russian Federation markets

[Conditions] Given that there is demand for the products

Given the implementation of a selective economic policy (tax breaks, subsidies, preferential credits for the formative period of small enterprises)

[General methods] 5. Creating competing production units via new construction

[Conditions] If new construction is economically expedient and the production resources and investors are available

[General methods] 6. Diversification (reprofiling) and conversion

[Conditions] If enterprises do not have a market for their products

[General methods] 7. Lowering the legal, organizational, and economic barriers hampering the entry of new businesses onto the market, including the world market

[Conditions—blank]

Appendix No. 5. General Methods of Increasing the Number of Purchasers on the Commodity Market

[The following material is published in the form of a two-column table, with the left column headed "General Methods of Increasing the Number of Purchasers on the Commodity Market" and the right column headed "Conditions in Which the General Methods of Increasing the Number of Purchasers on the Commodity Market Can Be Applied"; these are indicated in text below as "General methods" and "Conditions"]

[General methods] 1. Hiving off independent consumer businesses from associations of enterprises or hiving off individual consumer sections and shops for the products in question on the initiative of the labor collective during the privatization process or via the compulsory splitting up of businesses

[Conditions] Given the possibility of the technological, organizational, and (or) territorial splitting up of the enterprises, structural subdivisions, or structural units of consumers of the same kind of output, and also of the demarcation of the spheres of activity of the enterprises, structural subdivisions, or structural units within the framework of commodity specialization

Given normative-legal, economic, and informational backup for access to resources, including credits, and markets for the hived-off businesses

[General methods] 2. Hiving off autonomous independent channels for the movement of goods

[Conditions] Given the possibility of the organizational and (or) territorial splitting up of the commodity routes

Given normative-legal, economic, and organizational backup for access to commercial information, manufacturers and markets for output (work, services), and financial resources

[General methods] 3. Selling output via sale in an open public form (auctions, exchange, fair, wholesale, and other trading)

[Conditions—blank]

Statute on the Interdepartmental Commission on Competition Policy

1. The Interdepartmental Commission on Competition Policy (hereinafter the Commission) is the organ coordinating the activity of ministries, other federal organs of executive power, and the organs of executive power of the Russian Federation components to implement the State Program for the Demonopolization of the Economy and Development of Competition on Russian Federation Markets (Main Avenues and Priority Measures), hereinafter the State Program.

2. In its activity the Commission is guided by the Russian Federation Constitution, Russian Federation laws, edicts and directives of the Russian Federation

president, decrees and directives of the Russian Federation Government, and the present Statute.

3. The Commission's main tasks are:

- preliminary examination of sector programs for the demonopolization of the economy and development of competition on Russian Federation markets and the preparation of findings on them;
- participation in preparing draft legislative and other normative acts aimed at demonopolizing the economy and developing competition on Russian Federation markets;
- the coordination of work aimed at demonopolizing the economy and developing competition on Russian Federation markets;
- the preparation of forecasts of the consequences of implementing measures aimed at demonopolizing the economy and developing competition on Russian Federation markets;
- monitoring fulfillment of the State Program and of sector and regional programs for the demonopolization of the economy and development of competition on Russian Federation markets;
- informing the Russian Federation Government about implementation of the State Program;
- the study and dissemination of positive experience of forming and developing a climate of competition on Russian Federation markets.

4. In accordance with the tasks entrusted to it the Commission:

- analyzes progress in implementing the State Program and sector and regional programs for the demonopolization of the economy and development of competition on Russian Federation markets and generalizes proposals from ministries, other federal organs of executive power, and industrial, financial, and scientific circles on the most important questions of competition policy;
- submits to the Russian Federation Government proposals on developing entrepreneurship with a view to demonopolizing Russian Federation markets;
- organizes and carries out the expert assessment of draft legislative and other normative acts concerning questions of demonopolizing the economy and developing competition on Russian Federation markets, and also federal structural, investment, export-import, and financial projects and programs;
- analyzes the state of Russian Federation markets with a view to preparing proposals on developing competition;

- creates where necessary temporary working groups made up of Commission members and enlisted specialists in order to carry out the tasks entrusted to it;

- cooperates with business circles and entrepreneurs' associations and unions of the Russian Federation and foreign countries;

- receives in accordance with the prescribed procedure draft legislative and other normative acts and reference and information materials.

5. The membership of the Commission and the chairman of the Commission are ratified by the Russian Federation Government.

6. The chairman of the Commission:

- leads the Commission's activity;

- can enlist in the Commission's work specialists from ministries and other federal organs of executive power, leading scientists, the leaders of Russian Federation enterprises and organizations, their associations, and representatives of foreign states' business circles and international nongovernmental organizations;

- reports on the Commission's activity to the Russian Federation Government.

7. Members of the Commission take part in its sittings with full voting rights, can head working groups formed by the Commission, and have the right to submit for examination by the Commission proposals and recommendations regarding matters within its purview.

8. Sittings of the Commission are held as necessary, but at least once per quarter, and are deemed quorate if over 50 percent of members of the Commission are present.

9. Sittings of the Commission are formally minuted. Decisions are deemed to be passed if a majority of the members of the Commission present at the sitting has voted for them.

Members of the Commission take part in its work only in person.

The minutes of a Commission sitting are signed by the sitting's chairman.

Minutes and other information on the Commission's activity are brought to the attention of members of the Commission and other interested parties.

10. Decisions adopted by the Commission in accordance with its powers are binding upon ministries, other federal organs of executive power, and organs of executive power of Russian Federation components whose representatives are members of the Commission, and also upon enterprises and organizations under their jurisdiction.

The Commission submits appropriate proposals on matters requiring a decision by the Russian Federation Government.

Deputy Inveighs Against Draft State Budget

PM1804154194 Moscow PRAVDA in Russian
16 Apr 94 p 2

[Article by Doctor of Economic Sciences Professor Mikhail Sidorov, State Duma deputy: "What Kind of Reforms Are These if They Find the People an Obstacle?! Notes on State's Income and Expenditure in 1994"]

[Text] Moscow—So then, the federal budget for 1994. The government's plan puts income at 120 trillion rubles [R] and expenditure at R183 trillion. You can see that once again the population is trying to spend more than it pays in tax. This is once again an obstacle to the reformers. Just how can the deficit be covered? The government sees two main ways—the first is Central Bank loans to the tune of R38 trillion, and the second is foreign loans totaling R19.3 trillion. The third source of funding, which is the main source in civilized countries, is through state securities bought by banks, enterprises, and the population. But Russians have failed to grasp their advantages and have hardly been buying these bonds, which is again hampering the reforms.

On what terms does the government raise loans? It is wiser in this respect than enterprises and the population. Just try getting a 10-year bank loan at 10 percent. You will be referred to a psychiatrist. But the authorities have favorable terms, they are borrowing the R38 trillion they need from Gerashchenko at 10 percent interest over a 10-year term.

I would like to see the reaction of the chairman of the U.S. Federal Reserve if the White House asked him for a loan at 1 percent when the rest of the economy was paying 7 percent. It would hardly be considered humorous.

Now to turn to the second source—foreign loans to the tune of R19.3 trillion. Who will provide them—America, Japan, the FRG? This means that we take out loans in dollars, process them through speculators on the foreign exchanges, and fill the cracks in the budget with "worthless" rubles. Later, admittedly, these loans—which certain journalists often call aid—will have to be repaid. In oil, gas, and gold. Does it never strike you that Russia, which extracts up to 200 tonnes of gold a year, has almost none left for itself?

Let's talk about budget revenue—that part of the earnings of enterprises and the population which is transferred to the treasury by means of tax. The higher production volumes and profits are, the higher the revenue side of the budget is too. And, conversely, when there is a recession, the revenue side shrinks—as does, consequently, the expenditure side. That is the basis of a country's full-fledged budget.

Naturally, our "reformers" could not fail to be alarmed about this fundamental principle. In 1991 production and national income were already falling. In order to bring budget revenue more into line with expenditure in 1992, the reformers introduced value-added tax [VAT] at a level unprecedented anywhere in the world—28 percent. This was a truly "revolutionary" breakthrough in economic science and practice. Production began to fall, fiscal pressure was increased, and price-setting was handed over to monopoly enterprises and merchant speculators. And we waited for the economic miracle. Once again enterprises and the population were unable to grasp and implement these "brilliant" ideas. The economy went to the dogs.

But the government gleefully reports that the reforms are making progress and that their policy should not be changed. Obviously, this is a mixture of economic ignorance and criminal intent.

The authorities of the report to the State Duma "On the Federal Budget in 1994" repeatedly stress that all their calculations are based on the existing tax system—the same system which helped bring about the production slump. We do not need any subtle calculations to realize that the production slump in 1994 will be more than the 7-8 percent which the budget's compilers were aiming for. Consequently, there will be no way to collect the R120 trillion in taxes which are the basis of the revenue side of the budget.

The reforms have also set about foreign economic activity with a will. With a sensible approach organized for the benefit of the population this could, of course, be a "goldmine." It accounts for almost 23 percent of revenue. Twenty-three rubles in every R100 comes from export and import duties, funds realized by the centralized export of output, and other income. Not bad, right? But this money comes from the sale of nonrenewable natural resources. And the export quotas and licenses issued to hundreds of dubious firms help to promote the excessive and undeserved enrichment of a narrow group of people, the growth of social tension, and the spread of crime.

Moscow and St. Petersburg are already importing more than half of their food, while their own production is collapsing and food is rotting away in warehouses. It seems that this food is uncompetitive. But the point is that foreign-currency food loans have allowed a group of "entrepreneurs," who have paid off the powers that be, to get rich. The newspapers and television shape the opinions required for the continuation of this predatory activity. They have no time for the "Russian-speakers" working in the confectionery industry, at meat combines, or at enterprises in the Russian agro-industrial complex, which is collapsing faster than other sectors of the economy.

What about federal budget expenditure? The reformers, in the manner to which they are accustomed, are talking about two extreme options. The first is the best option,

the government option. Reducing expenditure to a minimum—loans, support for enterprises, defense orders, pensions, and spending on science, education, and culture. Under these circumstances there will be financial stabilization and low inflation. Just what unemployment will be like, how much people will have to pay to survive, how far production will collapse, and what will happen to the defense complex, science, and health is not so important. But there will be financial stabilization. The Malthusian approach.

The second option, which the reformers talk about with nostalgia, is connected with meeting the needs of ministries and departments for capital investment, subsidies, pensions, and other spending on social needs. It would then be necessary to spend not R183 trillion, but, staggeringly, R237 trillion. Inflation, the draft's authors assure us, would then be 32 percent a month by the year's end. It would be the ruin of the state. The government, of course, cannot go along with all these petitioners.

There is still life in that cherished old dog of the Gaydar supporters—monetarism. The authors of monetary theories are people with a mercenary and usurious slant of mind. Their philosophy and the aim and purport of their activity revolves around money, trading, exchange, and banking operations. Long-term fundamental processes take a back seat as far as they are concerned.

It is interesting to note that the draft law on the federal budget has been submitted for discussion by the State Duma, which is to receive a government ruling [zaklyucheniye] on its actions. Otherwise they might confuse "red" articles with "brown" articles. Or again revive militarism and help idle scientists. Or encroach on the "holy of holies"—foreign economic activity.

Nonetheless, the budget, as democratic gentlemen on both sides of the ocean are noting, is militarist in nature. It is planned to spend R37.1 trillion (20.3 percent) on defense. The largest item in the budget. This money will be used to maintain the Army, pay for state orders from defense industry enterprises, and for the Russian troop withdrawal from the newly independent states.

After all, the collapse of the unified system for protecting the state and the unified defense industrial complex along with the collapse of the state will not make it possible in the foreseeable future to create a similarly reliable system to allow people to live in their fatherland without fear. Just look at how greedily the eyes of almost all our neighbors burn at the thought of Russian lands. What are we supposed to do—hand them over and embrace pacifism?

The second biggest item on the expenditure side of the budget is state support for national economic sectors—R33.2 trillion (18.1 percent). This section looks quite puzzling. It lists the federal programs on Chernobyl, housing for servicemen, the fuel and energy complex, transportation, conversion, and so forth that have been examined and adopted by the government. What

remains unclear is the funding mechanism—who specifically will get the money and where is the guarantee that it will be utilized in a targeted way?

Experience shows that budgetary funds channeled through commercial banks and different funds help to make intermediary speculators rich. Russian producers receive only part of the funds. But even then, the leaders of enterprises and the small enterprises, foreign economic structures, and other market formations that have flourished under them often defend their own market interests. These people, needless to say, are thinking about their own pockets.

The funding sources for national economic investment break down into domestic (R19 trillion) and foreign (R12 trillion). The latter will be used to buy agricultural equipment, transportation equipment, and medical equipment in the United States, Germany, Britain, Japan, and other countries. That is, as is the case with agriculture, we are supporting Western producers while destroying our own.

Compare the R12 trillion channeled by the Western countries to Russia to ensure that it buys their technology and equipment with the budgetary spending on the conversion of Russian defense complex enterprises. It turns out that our reformers love Western enterprises 16 times more than Russian enterprises.

It will take major amounts of investment to seriously change the structure of production and renew it, but this money is lacking and, clearly, will not be forthcoming in 1995 either. It will take the Russian economy more than two or three years to get out of the hole which we have dug for it.

There are many more interesting points in the reformist 1994 budget. Admittedly, it is already April—we have been living through the first and second quarters without any legislative examination of the budget. But, after all, someone was preventing the government from drawing up the budget in November-December 1993. There was no Supreme Soviet and no State Duma either, but they were impeding things too. So was winter, and the elections, and surging prices—what prices would be used to calculate the budget? And so did the ruble's steady fall against the dollar—what level should be chosen for the calculations?

There is a draft budget. Now the State Duma will cause problems—why, it will ask, is only R591.7 billion being allocated to federal migration and resettlement programs when a minimum of 1 million refugees are expected from the CIS countries? That equates to around R600,000 per person. That is enough to buy a tourist tent. Yet at the same time loans to the CIS countries' national regimes total R533 billion.

But it is hard to believe the figures in the draft budget. Who knows what inflation will be like—after all, in early 1993 they had wanted to hit the 5-7-percent-a-month mark by the end of the year, but, it seems, the Supreme

Soviet got in the way, as did people, who for some reason wanted to receive their pay. That is why inflation went higher. How many enterprises will still be left by the year's end? Judging from the size of state "support" and the authorities' investment policy—not many.

But it is quite obvious that, with the current system of taxes, foreign economic policy, rivalry between the regions and the center, and the government's inability to carry out phased and well-considered reforms, the current budget will not be able to improve the economic situation. The annual budget is in any case more suited to trading operations rather than to an assessment of investment projects and serious structural changes in the national economy. The destructive reformers, living day by day with their vindictive attitude to the past and their passion for foreign economic operations, will not be able to reassure the country. They have drawn up the current budget any old how and will fail to carry it out—as was the case in 1992 and 1993.

Acting Minister Defends 'Realistic' Budget

PM2804114194 Moscow ROSSIYSKAYA GAZETA
in Russian 27 Apr 94 First Edition pp 1, 3

[Interview with acting Russian Finance Minister Sergey Dubinin and Deputy Finance Minister Sergey Aleksashenko by A. Yevgenyev; date and place not given: "If Inflation Can Be Kept in Check, Major Capital Will Move Toward Us. So Russian Federation Finance Minister Sergey Dubinin Believes"]

[Text] ROSSIYSKAYA GAZETA's guest "this Wednesday" is acting Russian Finance Minister Sergey Dubinin. For three months he has headed a department which has found itself by the will of fate at the epicenter of Russian economic reform. He is 43. He is a doctor of economic sciences. While paying tribute to his competence experts noted on his appointment that, unlike the uncompromising Fedorov, he is a softer person. We would add, however, that Dubinin does not yet seem to have provided any reason to remember that parallel.

Deputy Finance Minister Sergey Aleksashenko also took part in our talk.

[Yevgenyev] Sergey Konstantinovich, what is happening with the 1994 draft budget? It had great difficulty and incredible adventures in passing its first reading in the state Duma.

[Dubinin] We had not expected everything to be sweetness and light. We had assumed that the debate would be fierce. It is not a question of some personal failings or shortcomings. It is all more complicated than that. Any budget reflects a certain economic policy. It cannot exist outside one. But it was not hard to predict that the current economic policy would meet with plenty of opponents in different parties and factions in the lower house and that they would use the debate on the budget to overthrow the proposed strategy. In principle this is normal.

[Yevgenyev] How have the regions and ministries assessed the draft?

[Dubinin] We have done a lot of work with both of them. We tried out different options and came back again to our initial positions. In general the budget was drawn up under a new classification that is as close as possible to international standards. IMF recommendations have been taken into account. We included a great many things that were not previously in the budget—for instance, the cost of shipping goods to the Far North. In our view, the budget is realistic. This is why sectors have mainly been dissatisfied about what they received—they had all asked for more. But it is quite difficult to fundamentally change the budget structure within existing resources. And going beyond those limits would mean going in for fantasies.

[Yevgenyev] The Finance Ministry is being rebuked for overstating the revenue side of the budget.

[Dubinin] Until we have actually collected the cash, the arguments about the revenue side are merely estimates. Nonetheless, I do not think that we have gone overboard. We calculated it as follows: Last year on average we collected 10 percent of Russia's GDP in tax for the budget. This year, if we keep to the previous structure and collect what we plan to additionally mobilize for the federal budget, we plan to bring in 10.6 percent. As you can see, that is a small difference. Future growth—up to almost 16 percent—will be powered by the proceeds of the 3-percent increase in value-added tax, better collection of excise duties, and so forth. I think that by the year's end we will be able to achieve the indicator set out in the budget. Problems have come from the least-expected quarter. And, strangely enough, they are connected with the victory in the fight against inflation. You know, inflation fell to 10 percent in February and to 8.5 percent in March. It will be in that ballpark in April as well. This means that nominal growth in gross product, income, and all the rest will be slower than envisaged by the budget. Consequently the tax base will also grow more slowly than planned. But just try to convince the recipients of budget funds that they will now have to make do with less than was stated in the budget.

[Yevgenyev] Gaydar and Fedorov stated that the spending in January-February would lead to a new surge of inflation in April. But you are claiming that April will be as quiet as March. How do you explain that?

[Dubinin] By the fact that there was no dramatic expenditure in January-February. We did not allow it.

[Yevgenyev] What about March?

[Dubinin] Not in March either.

[Yevgenyev] So, what about the debts?

[Dubinin] What debts? The budget debts? We have already paid off those debts which the government has recognized by concluding contracts at different times—and they come to more than 4.5 trillion rubles [R]. We

are planning to repay another R1 trillion with treasury bills. But there have been a lot of wrongheaded interpretations, mutual misunderstandings, and confusion in this area. For instance, people are saying that we are not giving the Army its extra pay. When the decision was made in December to index the pay of workers in the budget-funded sphere, the Finance Ministry warned that the money for these payments was not there. We were not listened to. Consequently, when the time came to pay up, we told the Army leaders that we would not be increasing their salaries. Naturally people disagreed with this, and they believe that they are regularly failing to receive their extra pay—that in February they received their pay for January, that in March they received their pay for February, and so forth. In other words, we have created problems for ourselves, with our own hands. If we are unable to pay, we should not take on commitments. That is why we insisted that the minimum wage and bands in the unified pay scale not be indexed in the second quarter. There are no funds for this in the budget.

[Yevgenyev] But the countryside has gotten enough for its soup and porridge.

[Dubinin] This is the way things have gone with the countryside. We had just one commitment to them—for grain. It was not immediately released onto the free market, as would have been logical, given the good harvest; instead it was decided to sell it at high fixed prices, indexing those prices into the bargain. And only to deregulate prices as of 1 October. The Finance Ministry again lodged a protest, since elementary calculations showed that we would simply be unable to finance such expensive grain. As a result, we had to spend an extra R1.5 trillion. It can be said that the entire loan received from the IMF last year was spent on grain purchases. Then what happened? "Roskhléboprodukt" received this money as a budget subsidy. They mobilized the grain, delivered it, and are storing it in silos, having partially paid for it, partially pledged to take care of it, and partially accepted, as it were, state funds without repaying them. By their reckoning, the R1.5 trillion already allocated is no longer sufficient. Then we told them—"release the grain, release it. It will be used for flour, the flour will be used for bread, and the profits will make their way back to you. And you can pay off your creditors." For some reason they are unable to resolve this issue. The money that the population has paid for the grain is not being repaid by the grain-owners. And if the grain is released, it will be at the price at which it was procured. And they will again demand budget funds for new purchases in the spring—that is, funds from taxpayers like you and me. What does this mean in the context of inflation? It means that they are eating up the circulating capital that was issued to them—in other words, they are not acting in a market-driven fashion at all. And the Finance Ministry should provide compensation for all this.

The following things happened next. "Roskhléboprodukt" recast the terms of the contract for grain accepted for responsible storage, declaring it to have

been bought. And we are being presented with the bill: There is still some grain that has not been paid for. That is how we are living—eating up circulating capital and forgetting what a free market is. Mired in endless debts that we cannot hope to repay. And nobody is particularly worried about it. They say that the Finance Ministry will fund it. You even find some strange things happening. The Commission for Urgent Questions is examining the sowing situation. Who do you think the report writer will be? The Finance Ministry. The Ministry of Agriculture and Food has probably solved all its problems; only the Finance Ministry is failing to pull its weight.

[Yevgenyev] So do you still owe "Roskhleboprodukt" anything?

[Dubinin] Yes, we have agreed to allocate it another R200 billion from the budget. This is over and above the aforesaid R1.5 trillion. But "Roskhleboprodukt" will receive the funds in the form of bonds which it can sell as securities. The bonds will come into circulation this spring, and they can be sold on the market to raise R200 billion. And that, clearly, will settle the issue of the 1993 underpayment. That weight will be lifted from our backs. But the problem will remain. Because it is not clear how we can continue to work under such a system.

[Yevgenyev] No matter what we do, we seem to come off badly. There is not enough money for anything. At the same time, \$15-20 billion is finding its way into Western banks each year. Doesn't that worry you? Or have you gotten used to it?

[Dubinin] It does worry me. But what are you proposing? There is a system of licensing the export of foreign exchange resources and their placement abroad. We have the Federal Service for Currency and Export Controls, which is designed to monitor these processes and hunt down criminals. Virtually everything possible in the way of administrative bans has been done. But until it becomes more profitable to import than to export capital, we will not be able to reverse these currency flows.

[Yevgenyev] But surely it is beneficial to keep foreign currency in Russian deposit accounts? Nobody anywhere in the world will give you 36 percent annual interest the way we will.

[Dubinin] Well, suppose for a minute that you are a businessman. You have earned \$1 million. What are you going to do with it here? Putting it in the bank at 36 percent is boring and not without risk either. It is impossible to acquire any real property. Our well-known "Lukoil" company is buying a network of retail stores in Turkey. Why not in Russia? We have no network. We just have one store, and then another, and another.... And it is tiresome to have to buy up trade outlets one by one. When every Russian has the opportunity to open a store in Russia, when they can acquire everything they need, that is when capital will work here as well, rather than just in Germany and Switzerland. Apart from its well-known advantages, voucher privatization also has some disadvantages. Virtually the biggest of these is that

you cannot acquire anything for your money. Practically every bank in Moscow is housed in rented premises. They cannot even buy their own offices. Where else can you find a situation like that? [Dubinin ends]

S. Aleksashenko entered the conversation:

[Aleksashenko] I agree, we are experiencing major outflows of capital. But, strangely enough, since the middle of last year there has also been an inflow of capital—but in a concealed, cash form which is hard to register. When money passes through bank accounts everything is clear, but when dollars in cash are brought into Russia by the suitcase, it is hard to keep track of them. Nonetheless, according to Central Bank estimates, such capital imports amounted to \$5-7 billion last year.

[Yevgenyev] Is this a reaction to that 36 percent?

[From this point on the identity of the respondent is unclear]

[Interviewee] The way I see it is this—the hottest, riskiest capital has already come here. It is important that it does not expand the realm of the criminal, black economy, but that it should work in an entirely civilized and open manner. Post-voucher privatization will provide the conditions for this to be possible. And if inflation is kept in check, major investment will soon be heading Russia's way.

[Yevgenyev] But what is happening? There has been a squeeze on inflation, and production is literally on its last legs. Can't you see the connection?

[Interviewee] There is a connection, of course. Any country bearing down on high inflation is forced to pay the price in the form of a recession. We are into our second attempt in the space of less than two and a half years of reform to really get inflation down. We tried first in mid-1992. And we are trying again now. Each time falling inflation is accompanied by recession. Even if we start providing incentives for production, this will not mean that production will invariably take off again. We could see the same scenario as in the fall of 1992, when production stabilized for three or four months at its previous low level. Or things could be even worse—production could continue falling quietly and, by supporting industry, we would find ourselves stoking inflation yet again. And that would be no joke. Calculations have been done—they show that in order to halt the production slump we would need to pump money into the system to such an extent that inflation would rise to 50 percent a month. At any point our weary population might say that it had had enough of prices rising every day and demand that we lower them. We would again start bearing down on inflation. And we would again pay for it with recession. If we go up and down this switch-back for another couple of years, will there be anything left of production at all? The classic recipe for economic stabilization is to squeeze inflation out of the system once and quickly. And to suffer just one recession.

[Yevgenyev] Is something of the sort possible in this country?

[Interviewee] Theoretically, yes. We could conquer inflation in the space of a single quarter. For instance, we could get it down to 3 percent a month. There are some quite well-known instances of that around. To begin with, we should not borrow money from the Central Bank. But many enterprises would then be unable to adapt to a reality that would be new to them. A large slice of the economy would simply be destroyed. That is why we are forced to move gradually to 10-, 8-, and then 7-percent inflation. In order to give industry time to reorient itself and do something. But I would note that many directors are hoping for something else. They are traipsing around the Finance Ministry, the Council of Ministers, and the Kremlin asking for handouts. I can say quite categorically that their enterprises are doomed. They will not last long. One such famous director recently told me that he had twice been reprimanded by the Politburo for not boosting production of combine harvesters. They had wanted to remove him for his slow pace of construction. Today he has everything he needs—workers, components, and materials. But he cannot sell the harvesters. He wanted R200 billion to somehow survive until such time as they can be sold once again.

evgenyev] Well, that was "Rosselmash."

[Interviewee] This is the kind of logic they have. "You do your experiments there and carry out your reforms. And let me quietly sit out all this commotion." Of course, we could mothball a plant in that way and hold out until the historic time when the economy comes good. But if our entire industry has to wait for everything to change of its own accord, without changing anything itself, then we will all find ourselves in the kind of dead-end that the AZLK [Moscow Leninist Komsomol Automobile Plant] and ZIL [Likhachev Automobile Plant] plants are currently in.

[Yevgenyev] Flotation has done them no good. They were floated, but now they are saying: "Pay us."

[Interviewee] And if you total up what the ZIL Plant is asking for it comes to R1 trillion.

Quite often of late I have received administration heads from quite wealthy oblasts asking for help of any kind. Their oil refineries have ground to a halt—the products are so expensive that nobody is buying them. We advise them to lower their prices—for both gasoline and other petroleum products. My visitors' eyes would come out on stalks—"How can that be done when everything is getting more expensive?" But we are in the marketplace.

The thinking is as follows—since there is a market, let prices go through the roof. What is happening with grain, for instance? Our peasants' wages are 1 percent of world wages, our fuel is 30 percent of the world price, our equipment is 20-50 percent of the world price, but we produce grain at the world price. And sausages and milk

too. Food prices in any store are at world levels. And if you make allowances for our very mediocre quality, then we are actually paying more. Nonetheless, demand constraints are starting to kick in. Two oil extraction companies—"Lukoil" and "Yukos"—recently announced that they had frozen their prices for the whole quarter.

[Yevgenyev] Do you not think that these enterprises need to be encouraged in some way?

[Interviewee] Such as? Presenting them with a red banner or scroll of honor? They have provided their own incentive—their output is being bought and paid for. Incidentally, prior to this our oilmen had given us no peace for six months in their demands for subsidies. Throughout this period a package of 18 documents, each worth between R300 billion and R1 trillion, was circulating among government members. People tried to wheedle official stamps out of them. Thank God, they stood firm. That is why the Finance Ministry did not give out the money, and why the demand constraints have started working. Now we will see what happens next. I think that our oil industry will live normally if it learns the rules of the market.

[Yevgenyev] But there are natural monopolies—railroads, electricity, gas. What about them?

[Interviewee] In those areas we cannot do without a system of state regulation. From my standpoint, nobody exploits their monopoly position as shamelessly as the power generation people at the "YEES Rossii" [Russian Integrated Power Grid] Russian Joint-Stock Company. When they charge one rate in one oblast and another rate bigger by an order of magnitude in another oblast, what do you call that? That sort of thing does not happen in any country anywhere. And they will not accept the cheapest power from nuclear stations onto their grid for fear of spoiling their indicators.

[Yevgenyev] Nuclear power workers recently picketed the White House. Was that related to the behavior of the Integrated Power Grid?

[Interviewee] Undoubtedly. This situation was largely brought about artificially. In this connection I would like to say the following. Yes, our miners have been in a difficult position, and that is now true of the military. But trillions of rubles pass through their hands. They have the funds to give themselves room for maneuver. Why is it that people will seemingly forget about one place somewhere? Wages will not have been paid there for five months, people will have been pushed to the limit, to the point of starvation. I suspect that these sources of extreme tension are created with a purpose. Then everyone suddenly seems to remember about them. The press and television suddenly descend and show us the starving. The "background to the disease" begins to be teased out. And this is used to get money for the entire sector.

You will note that these situations are reproduced systematically. It seems to me that we are dealing with a

kind of blackmail, to which both the government and society are subjected. And all of us have to pay. For instance, to fend off the miners' discontent, we gave them R2 trillion that had been earmarked for increasing wage bands in the second quarter. This means that we are robbing Peter to pay Paul.

[Yevgenyev] We need to close mines that have no future.

[Interviewee] Yes, we do. Although that costs money too. Nonetheless, last year the coal industry was planning to find R40 billion and close just one mine—at Khalmer-Yu. It did not find the money and did not close the pit. It has been given R2 trillion this year, yet there is still no money to spare for the closure. The pit is located inside the Arctic Circle, where mining anything is senseless, and the coal quality is as bad as it gets. I fear that the rumor that 10 pits will close in the first half of the year will remain a rumor. Miners already know from experience that they can overspend, present the government with an ultimatum, and get what they want. Even at somebody else's expense.

[Yevgenyev] But few people know about this. Why are facts of this sort not made public? Why is information not regularly published on pay, the number of working days in the year, and on the leave for workers in different sectors?

[Interviewee] We need to do that in depth. And, clearly, not only on an intersectoral basis. For instance, take a major enterprise maintained by injections of state funds and look at its spending structure—how much the director earns, how much the engineers and workers earn, whether the soccer team is funded, whether dividends are paid on the shares, and what kind of social costs there are. This detailed analysis should be carried out at a micro-level so as to provide a clear and accurate picture.

You are probably right. This would be instructive to many people. I promise to think about it.

Privatization Progress Viewed

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[Article by Vladimir Malyshev, deputy mayor of the Government of Moscow and chief of the department of consumer services and the market, under the rubric "Trade: Analysis, Projections": "The Shops Have Been Privatized: The Entire Sense of the Privatization of Trade Is To Serve the People"]

[Text] Privatization of the trade sector has opened the gates to the path of the development of market relations in our country. Denationalization should be viewed as a process of transition to a variety of ownership arrangements, new forms of economic operations, and entrepreneurship, as a means to bring dynamism to our entire economy by enhancing labor incentives.

Why did the trade sector advance to the forefront of privatization, where particularly decisive actions are needed? Because simply no advancement toward a market economy is possible until the system of bureaucratic distribution of the manufactured product is broken down. For many years there was concern about how to distribute "properly," from whom to take things and to whom to give them. It was precisely this system for distributing anything and everything that was one of the pillars of the command economy, and of the shadow economy that complemented it.

Time has indicated the intrinsic inability of the state trade sector to provide real incentives to producers, to animate transactions between urban and rural areas, and to stimulate activities in the acquisition of goods. The economy was structured on the basis of the laws of direct distribution, without effective feedback for the entire set of parameters in the national economy. However, the quality of products, abundance of merchandise, and integrity of trade cannot be ensured by dictum but are rather shaped by economic conditions. The customer, the buyer has one eternal inalienable right—the right to choose in the marketplace by "voting" with his wallet. This is an important feature of the political freedom of the individual.

At the same time, the distributive system turned out to be a quite costly activity associated with maintenance of a huge apparatus for the distribution of goods at all levels and within all organizations (within planning organs, ministries, soviets at all levels, and so on). It is proper to note that the distributive system is congenitally conducive to abuse, speculation, and corruption. Speculation itself is the blood child of the state monopoly on the production of and trade in consumer goods. It is also exceptionally important that a market economy make it possible for the country to become an integral part of the world economy and take advantage of a division of labor of this kind. To this end, common rules for entrepreneurship, the freedom to trade in goods, a stable currency, and most importantly, a rule-of-law civic society are needed.

Along with other measures, privatization of the trade sector is called upon to change the situation fundamentally: to eliminate the administrative superstructure, to usher in competition, and to overcome merchandise shortages which, even if they did not occur naturally, were generated artificially. Shaping a social market mechanism and a free trade sector capable of keeping demand and supply on the market in balance is a means rather than an end. The social role of the trade sector is being enhanced. Defense of consumer interests is the strategic path of its development. Trade is the sector in which the quickest and most radical changes in ownership arrangements and a high degree of privatization can be expected.

More than 90 percent of shops and public catering and consumer service enterprises have been privatized in Moscow. This is a lot, considerably more than in any

other region of the country. The process of "minor" privatization has become irreversible; apparently, it will be virtually over shortly.

As is known, Moscow proceeded to privatize enterprises in the service sector virtually from scratch: There was still no regulatory foundation. Much has been accomplished. It is never easy for the trailblazers. All aspects of "minor" privatization Moscow-style have drawn criticism: what has been accomplished hastily, what has not been accomplished yet, and the manner in which things have been accomplished.

Have mistakes been allowed to occur? Yes, they have, and major, fundamental mistakes at that. However, the criticism that is still being leveled is not necessarily well-argued, substantiated, and convincing at all times. There is a lot of extraneous politicking in such criticism. It is written and said that privatization in the sector has accomplished nothing, that trade outlets are "getting fat," and that customer services have deteriorated.

We learn by comparison. Let us recall the fall of 1991—complete disintegration of the market, empty stores, humiliating lines, a feeling of hopelessness. There were a great many predictions of famine, cold times, and rebellion. These projections have not come true; the market is being restored. It is an elementary truth that we should proceed from the fact that the daughter (the trade sector) is like her mother (the economy) in order to understand correctly what happened and is happening in the trade sector and to evaluate privatization in a substantiated manner. The trade sector is a snapshot of the condition of society, its barometer. There is no reason to attach hopes to a "correct" barometer when the weather is bad. Past ills and present-day miscalculations afflict the trade sector perhaps more than anything else.

Now it is already possible to say that there is a light at the end of the tunnel. His Majesty the Merchandise is the main player in the market. A shortage of consumer goods was a "birthmark" of our entire history when the command-administrative system existed. In terms of theory and practice, dogma was adopted to the effect that consumer demand must continuously outstrip the production of goods and their supply to the population. In short, demand cannot be met under socialism, and the tired word "deficit" is eternal.

The notion of "real income" has long become a convention because it is impossible to name a class of merchandise for which demand was met in full. According to approximate estimates, in the prosperous year 1970 (for which some people are still nostalgic) 20 percent of the increment of savings, and in 1978 as much as 53 percent—was generated due to pent-up demand.

In the years that followed, the "infusion" of money not backed up by goods became cataclysmic and ultimately finished off the trade sector. The hope that the consumers would be able to buy inexpensive goods, albeit at the price of standing in lines, was less and less justified.

Quite a few people could not buy such goods, and the money issued to the population was patently depreciated.

The monetary income of citizens consistently exceeded the growth of the total volume of sales and paid services. At the same time, the hidden growth of state retail prices occurred and the quality of goods sold at old prices worsened. This entire shortage of products was not due to the poverty of the country: After all, the country was capable of being second to none in terms of military might. Those were the fruits of a certain choice, of an ideology, in a word—of the implementation of postulates to the effect that, unlike under capitalism, demand here should outpace the production of goods and push it along; such was, allegedly, the advantage of our state. The crisis of the system brought about a veritable free fall of production which made for the most acute shortage.

As recently as one to two years ago the shelves of many of our stores were, as the saying goes, a wide open space. Although not everywhere, the counters are now filled with merchandise which the customers hardly saw as being available for unrestricted sale even in better times. Enterprises have appeared which are not inferior to the best contemporary models in terms of saturation with merchandise, techniques and organization of trade, and customer service. The following have become the most characteristic signs: full economic independence of enterprises, direct contacts with suppliers, abandonment of the practice of quota allocation with its paper trails and theft of funds and the time of a tremendous number of employees, and finally the emergence of new stores reaching the level of world standards.

Look at GUM [Main Department Store], which recently celebrated its centennial. Its collective has taken the path of creating a world-class trading house. No, this is not an attempt to "sell GUM to foreigners lock, stock, and barrel," as some "specialists" maintain. The purpose is different: The shareholders are searching for and finding partners who will redouble their efforts to organize a modern trade enterprise. Large wholesale and retail associations such as Master-Leader, Olbi, Roditi, Office-Club, and many others have made their presence felt. Joint ventures with many countries are successfully operating in the capital, including the Moscow-McDonald's, the Moscow Pizza, the MOS-Dannone Russian-French joint venture, the Russian-German venture Taki-Moscow, and so on. The old-timer McDonald's restaurant and its two younger "brothers" are particularly popular. Interest in expanding joint commercial activities is apparent not only in the capital but also in other cities. An improvement in the standard of service and the introduction of new technologies—naturally, on the basis of mutual interest and advantage—are the fruits of such cooperation.

Would you like to see the stores that are the jewels of the trade sector in the capital city on all scores? If so, visit

the Novoarbatskiy Delicatessen and the Tverskoy Delicatessen. They have an extensive assortment of almost all fresh foodstuffs. The stores have been converted to joint-stock format and work without intermediaries. Therefore the proportion of the trade sector in the prices of goods, for example, at the Tverskoy Delicatessen is just over 11 percent—considerably less than anywhere else. Having embarked on leasing four years ago, the enterprise has been building up its sales, which amount to 1 billion rubles [R] per month at present. The delicatessen was paired up with a bank as its co-owner. One more sign: Suppliers from nearby and distant foreign countries trust the store with their goods. Products sold on consignment, that is with settlements with suppliers effected upon the sale of the goods to the population, account for about 30 percent of sales.

There are many similar stores. However, there are still more that unfortunately are a pain to behold, which operate on the principle "I do as I please" and trample on the rules of trade. Drunk with the freedom granted and the opportunities for easy and quick profiteering, these trade "outlets," if you will, practice abuse, taking no care of their own development. One customer in two is cheated on weight or change at such enterprises. They often sell inferior quality foodstuffs or even those that pose a health risk. Of course, such are the drawbacks, and we will restore order in this area.

However, let us go back to privatization. The picture would be lamentable at present had Moscow not hastened to make this effort and was still receiving goods in keeping with the "plan" and allocated "quotas." State deliveries which were planned last year and at the beginning of this year have, as the saying goes, failed miserably. The capital city received, and still receives, less than one-half of the promised deliveries. About 55 percent of the foodstuffs used by Muscovites have been purchased and already shipped in by new entrepreneurial structures. Almost 100 percent of the products are procured in this manner in the case of many manufactured goods. These are the first fruits of a pick-up in the trade sector, its contribution to provisioning this city of many millions.

Let us look at another aspect of the issue—the social structure of sales. It is changing rapidly and quite substantially in terms of ownership arrangements. For the first time, the shoppers of Russia left less money at state trade establishments than at nonstate establishments. At present the former account for just 46 percent. The proportion of private trade comes to 40 percent, and that of consumer cooperatives to approximately 14 percent.

Retail trade is the leader in the domestic economy in terms of privatization: At present 40,000 stores, stands, cafeterias, and cafes belong to private individuals. This accounts for just 8 percent and appears to be little. However, this small segment of privatized enterprises has the same volume of sales as the entire state trade, and even more if the sales of consumer cooperatives are taken into account.

State shops are inferior in terms of not only merchandise sales but also profit margins: They are 1.5 times greater for private "outlets," and if measured by the effectiveness of outlays (the ratio of profits to the cost of distribution)—twice as large.

Of course, retail prices charged by private operators are 1.5 times higher than those in state stores. However, let us repeat that the huge distributive apparatus associated with the practice of quota allocation, the issuance of requisition slips to pick up goods, and so on has been eliminated. As a result, the total volume of sales in 1993 exceeded that in the previous year by 4 percent. Please note that it went up rather than down. The use of food staples in natural units—meat and meat products, eggs, potatoes, vegetables, sugar, and confectioneries—also increased.

However, let us be fair: Some problems are being solved, whereas others are at an impasse, and new problems are also developing. As a rule the former state and municipal enterprises have privatized in the capital city in the form of the property of labor collectives. At present, only 30 percent of them have sale-and-purchase contracts and certificates of property rights. This means that almost two-thirds of privatized enterprises are "suspended" between the earth and the heavens, between being state-owned and being private. Virtually not one of them has a legally valid land-use document (for the place where the trade outlet is located).

Therefore, on one hand, most stores are listed as having owners while, on the other hand, their collectives, strictly speaking, act as hired labor. Naturally, such "owners" do not take the risk of investing funds in sales expansion and development of their physical plant. Their interest lies in pumping profits into their own wages as quickly as possible.

Regulatory documents permit only two types of sales—auction and through "rigid" competition in the form of tender by invitation. However, other more efficient techniques are known in world practice, for example, directed sales to those who will offer better conditions for the operation of a trade outlet rather than to the one who pays more. As we see it, it is feasible to incorporate a new notion into the state privatization program: public bidding with fixed conditions. This would become a formidable obstacle to those fond of behind-the-scenes deals. We can say that at present the most effective forms of sale fall outside the domain of our operations.

Incidentally, it is worthwhile to mention that in the relatively well-to-do East Germany plants were frequently sold at the conventional price of... 1 mark, against an investment commitment. The federal government spent tens of billions of marks to upgrade enterprises to be sold instead of lapsing into rosy dreams about some kind of fabulous profits from the sale of its own losses.

Analysis of the data on the progress of privatization indicates convincingly that enterprises of the former

state trade sector are increasingly becoming the collectively shared property of the labor collectives. Such enterprises include the largest department stores, restaurants, shopping centers, self-service stores, and wholesale warehouses. Despite the short duration of operation after privatization, many of them have proven that, having become owners, they operate successfully and compete against private operators and commercial structures, retain the specialization of enterprises, boost sales volumes, and enhance the level of social guarantees for employees.

Statistics that reflect the choice of a particular mode of privatization also merit some thinking. Auctions have not become very widespread, despite support for them from an unceasing propaganda campaign. To this day the practice of buying out leased property is favored, especially in the sphere of retail trade. On one hand, this is a concession to the interests of labor collectives. On the other, this is a statement of fact: Real competition in the market of trade-sector property is absent. It turns out that actually it is not all that easy to find other owners who are prepared to invest their money in primitive counters and dilapidated buildings with an engineering "filling" that has long since become obsolete. We cannot fail to notice a sad fact—a sharp slowdown in the development of the material and technical facilities of the sector.

Auctions are the most common form of sale, but not the only one. An opportunity to conduct competitive sales is envisioned. The advantages of holding a competition are obvious. At issue are primarily the interests of the population. One owner will open a disco bar instead of a bakery, while another would also open a bakery at the Bread store. Besides, retention of specialization (commodity mix, level of sales, services) for three years is a compulsory condition for competitions. These commitments must be included in the contract during the subsequent resale of the facility if such occurs before the end of the three-year term.

Unfortunately, "minor" privatization has its own problems, too. Profits received by trade enterprises do not ensure their financial stability. According to various calculations, the amounts of withholdings reduce eventual profits by one-half. Subsequent payments to the budget and the payment of numerous taxes and fees reduce the remaining one-half by that much again. The residual, which, as is known, is not necessarily "sweet," is very small: It is not even enough to buy merchandise. The federal budget does not envision funds for the existence of trade enterprises. Local organs of power are their only hope. The need for investment is vast in the trade sector. As it is, the spontaneous winding down of its material and technical facilities is underway. For example, in 1992 the number of stores fell by almost one-fourth.

Support from the state is vital in the course of a transition to market relations, especially at the initial stage. For example, the upstart traders in foodstuffs are exempt

from the turnover tax and the profit tax for two years, and those selling manufactures—for one year.

Let us sum up what has been said. Privatization of the trade sector in Russia, including that in Moscow, is without precedent as to scale and not comparable to the experience of any other country of the world, even if we look at the enormous technical difficulties with its forms, the voucher system, and the appraisal of facilities to be privatized and their assets. The privatization program approved by the Supreme Soviet of Russia accords unjustifiably great preferences to labor collectives. Obviously, it hardly makes sense to change the rules of privatization while it is in progress at the risk of triggering major social conflicts. Apparently the current stage of privatization must be completed and the rules should be perfected gradually by mutual accord rather than by way of someone's dictate.

The main difficulty is found in the fact that property has already been distributed, but active control over it by the new owners is absent. In this instance the role of both the management and the labor collectives is overstated. Therefore, the task is to create effective owners, and to devise rules and procedures for the redistribution of property, a system counteracting all attempts at squandering property. It is important to accomplish a transition from a system of handing out property almost free of charge to the sale of property, from unconditional privatization to privatization predicated on additional investment and conditions that protect consumer interests and rights.

It is now equally significant to reinforce the accountability of those who buy privatized enterprises. The conditions of the purchase-and-sale contracts must be strictly complied with in this instance. To this end, contracts should envision all the necessary conditions for exemplary services to the population, and effective forms of monitoring compliance with them and harsh sanctions for violating such conditions should be envisioned on our part.

The trade sector is called upon not just to sell goods. Serving customers in an exemplary manner is an equally important task. The lofty mission of the trade sector is to serve the people. This is what the meaning of privatization in the trade sector is all about.

Yakovlev, Chubays on Privatization, Current Affairs

944E0757A Moscow OBSHCAYA GAZETA in Russian
22 Apr 94 p 8

[Interview with Anatoliy Chubays by Yegor Yakovlev; place and date not given: "The Deputy Prime Minister of Whom There Is a Continual Desire To Be Rid"]

[Text]

[Yakovlev] We have not seen one another for several months. Let us for a start determine where we are in

time. The first stage of privatization is ending, the second is beginning. What does this mean?

[Chubays] To explain it altogether briefly, one was privatization for checks. At the second stage, for money. If we are speaking about the reasons for the change of stages, however, it should be mentioned that privatization is a contradictory phenomenon. It requires of the authors of the program and those implementing it a combination of the uncombinable: On the one hand we need to ensure that ordinary people (although I do not like this term) take part in privatization, on the other, it is essential that privatization secure financial sources for the enterprises, which are necessary for their development. This is why we will say in the second phase: That is it, privatization without charge is over, now only for money. And in exactly the same way that we are being violently criticized today—no one needs checks!—the same people will as of 1 July be declaring just as bitterly that the ordinary people have been cut off from privatization—it is all for the rich people.

[Yakovlev] I will not assert that Chubays is privatization. Nonetheless, for me, as for the readers also, there is no privatization without Chubays. You have, most likely, merited the title of gravedigger of public property.

[Chubays] I would prefer something different: creator of private property.

[Yakovlev] Very well. And if we go by the fact that revolution means a change in the form of property, has a revolution occurred? In the name of what was it accomplished?

[Chubays] I will merely repeat what I said before: I believe that there has been a revolution. And it was bloodless. We cannot, it is true, speak of bloodlessness after October. Nonetheless, transformations in the forms of property have, the Lord be praised, been managed without civil war.

[Yakovlev] What kind of society are you serving? For what kind of lifestyle are you working?

[Chubays] I do not believe for one moment that a picture of the market economy of the United States should be the determining features of this society. But I am absolutely convinced here that there is no third way in the form in which it is being presented by some of our so-called socialists, in reality, converted communists. We will build a normal market economy. A capitalist economy—I have no desire to avoid this term. That it will assume its own, highly significant Russian distinctiveness is another matter.

[Yakovlev] Do you have a chance to influence the formation of this society? You stated plainly in one interview that there would be a rapid redistribution of property at the check-privatization stage even. Even today there are people who have become fabulously wealthy on vouchers. A process that is beyond your control is under way.

[Chubays] In order to get rich on vouchers, they have to be purchased. And for this money is needed. There is, therefore, no "enrichment" here—there is the investment of funds accumulated earlier. As far as a process beyond my control is concerned, this is good. Were it dependent on me, I would, consequently, be in some way separating some people from others: Some people, according to my ideas, are good, I shall let them get rich here, others are bad, I will prevent this.

[Yakovlev] I had hitherto believed that the state and its representatives were not engaged in the division into good or bad but were resolving problems of social regulation, curbing the enrichment of some and preventing the ruin of the majority.

[Chubays] The state, making use of the known mechanisms, should influence the extreme categories both from above and from below. From above, by providing for a mechanism of redistribution, from below, with a support mechanism. But under no circumstances should it operate within these categories, helping some social groups.

[Yakovlev] Thanks for the explanations, but they are unrelated to the current practice of official decisions. You have carried out privatization, but there is no social regulation in the country. This is why I believe that your influence ends at the moment of denationalization.

[Chubays] I have to agree that the present crime situation and the social inequality are glaring. Nor would I take issue with the fact that the present scale of social inequality is connected to a considerable extent with the reform itself. I would, however, take issue on other grounds. Many people think: Abandon the reforms or implement them gradually, and all will be well, not like now, in any event. Absolute rubbish! Yes, mistakes were made in the course of the reforms. And not only those connected with the opposition of the Supreme Soviet but with our miscalculations also—this is true. But it cannot be forgotten here that the state had to a considerable extent lost control of the conversion of property before the start of privatization even. The embezzlement of public property on a particularly large scale had been developing since the end of the 1980's: Funds were being pumped elsewhere, and public property was being moved into the small-scale enterprises that were being created everywhere. And by January 1992 it was not a question of whether to undertake privatization rapidly or slowly. The alternative was either to place some legal foundation beneath this process or have the plunder continue. In short, there was the privatization act, which I did not like all that much. Had I remained a scientific associate, I could have written another—far better. But Petr Filippov was able to get this act through the Supreme Soviet. And a monument should be put up to him for this.

[Yakovlev] If you don't mind, don't make a Karl Marx out of Filippov....

[Chubays] There was no time to argue about a good law, we had to implement the one there was. If, however, you wish to see in practice what a slowdown of privatization leads to, let us take our favorite example—Ukraine. With the decelerated privatization the mass theft of public property, which no one wants and which is totally uncontrolled, is taking place here.

[Yakovlev] You are, perhaps, the sole person in the government today who, having started something right at the beginning, is continuing it. And the gossip passes you by, although it is swirling around the present cabinet. You do not even figure in "Version 1." Nor do you rank on the endless list of candidates for the office of president. Perhaps this is the reason for the opinion: Privatization will end, and with it, Chubays also. How do you view this?

[Chubays] With composure. In each phase of privatization, and there have already been many, there has hovered in certain circles: Chubays has to be removed. I can even reveal a political secret. Negotiations were conducted in the fall of 1992 with the very spiteful "Change. New Policy" faction. It was necessary somehow to ward off a vote in parliament on the government's resignation. Agreement had been reached on everything, only Chubays was a hindrance. And then our side said: Very well, but let him issue the checks, he will come to grief here immediately, and then we will remove him.

I frankly confess, it would have been very annoying were I to have found myself out of the government in the middle of the privatization process. I am prepared and want to bear full responsibility for privatization in Russia, within, naturally, the framework in which I find myself. If my activity ends at the first stage of privatization, I will leave with a clear conscience. I have something to show. For some people this is an ugly decrepit thing, for others, the reverse. There is something for me to look back on, at least. And there are certainly things to do.

[Yakovlev] And how do you combine your beliefs with the position of your cabinet colleagues—you could hardly call them your fellow thinkers.

[Chubays] I can argue with my colleagues on the point at issue to my heart's content. I express to them my opinion. But I do so within the government. I consider it impermissible for myself to judge it from the sidelines, as it were. Various forces are assembled in the government. There are also representatives of parties with which I categorically disagree. I have to say absolutely sincerely that the government remains integral thanks to the prime minister.

[Yakovlev] But you are here a leader of the Russia's Choice faction, which recently distributed a document on the excesses in government supply, on the Mercedes in which the deputy prime ministers ride around.

[Chubays] A painful instance. Did they really write something about Mercedes? I do not have one. And in point of substance Russia's Choice is not in opposition to the government but in constructive dialogue with it.

[Yakovlev] An activist of your bloc, Poltoranin, treats the government as a Carthage which has to be destroyed.

[Chubays] Russia's Choice and Poltoranin are not one and the same thing. His speeches have evoked the sharply negative evaluation of the bloc itself.

[Yakovlev] You are among those who are in the front ranks of the new party. What is inducing you to participate so actively in party building?

[Chubays] I have to confess that I came to government not as a politician but as a professional economist. But in doing my work I became increasingly convinced that it is essential for its realization to become involved in politics. At the present stage, the creation of a party.... I was recently watching a television program in which you were taking part and in which you said that you did not want to be continually choosing the lesser of two evils. This is a matter of principle. Choosing between two evils is a nasty business, of course. And you are deciding to step aside. But those who will be forced to choose the lesser of two evils will remain. You retain the comfortable position of an appraiser, who points out all the drawbacks.

[Yakovlev] You are wrong about the comfortable nature of such a position: It causes irritation on both sides. As far as the reluctance to choose the lesser of two evils is concerned, it should not be absolutized. I am sure, for example, that the demand that a choice be made between the Supreme Soviet and the president merely exacerbated the confrontation. As a result the president signed Edict No. 1400, not having had a chance to assess its consequences, and, in my opinion, a national tragedy—the shooting up of the White House—occurred.

[Chubays] This is where the divide runs. I consider this edict correct. It should have been made even more stringent, with more detailed reflection on all the measures of its realization. I say this inasmuch as I know very well about the blood that would have been spilled had this edict not appeared. This is the sort of country we have, it is always necessary to choose the lesser of two evils here. Had we not chosen, Yegor Yakovlev, like many others also, would today be discussing nothing.

[Yakovlev] Everyone has a right to his opinion. You consider it right that in the anticipation of greater bloodshed society was deprived of the lives of at least 150 persons. And what is the result? It was you who said recently that a coup should be expected by fall.

[Chubays] It was not I who said this but Zhirinovskiy. I was simply repeating what he said inasmuch as I know his friends: As distinct from Zhirinovskiy, these are very

serious people, with great experience of professional work. They cannot be captured by intellectual arguments.

[Yakovlev] But how can it be a question of accord if we are under the threat of a coup?

[Chubays] It depends what is meant by accord. If a common political platform, this is absolutely hopeless. But the president's message is invested with an entirely different thought: accord based on respect for the current constitution and the impermissibility of the use of unconstitutional methods. If this procedure is realized, it will separate those who accept such rules from those who are against them.

[Yakovlev] Had an accord on no violation of the constitution been reached in the times of Rutskoy and Khasbulatov, do you believe that Yeltsin would not have signed Edict No. 1400?

[Chubays] I believe he would have. [end Chubays]

I could argue with Chubays as much as you like, until I am hoarse. But on our path since 1985 he has been and remains for me one of the decisive figures who has ensured that there will be no return of the monopoly of developed socialism. We may respect Anatoliy Borisovich for this. We may hate him. But this is a matter of our beliefs.

Academician Shmelev Pessimistic on Economic Recovery

944E0774A Moscow KURANTY in Russian 12 Apr 94
p 4

[Report on statements made by Nikolay Petrovich Shmelev, corresponding member of the Russian Academy of Sciences, by Viktor Mironov: "Russia Is at a Dead End. And For a Long time"]

[Text] Frankly speaking, I had planned at first to interview Nikolay Petrovich Shmelev. But after listening to the first "chords" of his impassioned and emotional speech and seeing how he painstakingly wiped the drops of perspiration from his forehead with a handkerchief, I changed my mind. Let the corresponding member of the Russian Academy of Sciences express his views on the painful problems of our society. But I have assumed responsibility for systematizing the opinions of the noted Russian economist and presenting them for your attention. Now then!

No Illusions. As strange as it seems, I now hold a cautiously optimistic view of the situation in Russia. I think we reached the bottom of our national political crisis last fall. The threat of a total catastrophe now is less real than it was before, it seems to me. Nevertheless, our leaders and society as a whole have to become used to the idea that the current crisis in Russia will continue not for years or even decades, but for two or three generations. That is, we are doomed to live under conditions of permanent crisis for the present.

What is most tragic is that we are beginning to realize the uselessness and inviability of a substantial part of the vast economic potential which we accumulated over the past seven decades. According to various assessments, from one-third to two-thirds of this potential should be either dismantled or drastically modernized. This will require a lot of time, a tremendous amount of patience, and a pile of money, but it cannot be helped. As regrettable as it seems, for example, Vorkuta, which has 85 percent of its expenses covered by the budget, should be shut down. This same fate awaits the Moscow Coal Basin and the lion's share of our ferrous metallurgy and defense industry. The most favorable predictions indicate that in agriculture, a minimum of 75 percent of the kolkhozes and sovkhoses are doomed to a slow death.

For this reason, I support those allegedly conservative circles of economists who are repeatedly mentioning the vital necessity of a well-thought-out industrial policy. Simply stated, someone in our country should decide whom to support for a year, whom to support for 5 years, and someone must be helped to die tomorrow.

Between the Hammer and the Anvil. No government today, no matter whether it is headed by Chernomyrdin, Zyuganov, Zhirinovskiy, or Gaydar, will be able to provide for the classic, normal choice between inflation and unemployment. After all, no one knows where this acceptable level of inflation is. It is clear that the less inflation the better, but we cannot get along without it now; otherwise, it is impossible to maintain the vast unprofitable sector of our economy. Unless we begin the process of bankruptcy, of shutting down entire sectors of industry and even cities, there can be no discussion about any normalization of the Russian economy. But such measures will lead to an avalanche of unemployment. A paradox!

I have only sympathy for Chernomyrdin. He stated that this dilemma should be resolved. However, this is tantamount to walking on a razor blade. A step to the left means hyperinflation, and a step to the right means a social explosion because of unacceptable unemployment. It is at the level of 5 to 6 percent at present, but it should climb at least to 12 percent. How will the public react to this increase?

For this reason, in my view, the question is as follows: what level of unemployment can the Russian society withstand, and what level of inflation can it forgive the government for?

"Veneer." Our monetary system must be normalized without delay. No economy can function normally with a sick currency. Gaydar managed to cure the financial system somewhat at the price of "eating up" all the public's savings, but this was obviously inadequate.

First of all, we have to restore incentives to save our Russian rubles so that they are competitive and constantly in circulation. I was in a group of economists which at one time suggested that we repeat the successful experiment of the 1920's and issue hard convertible

currency at the same time. Over a period of 1.5 to 2 years, it would completely force the compromised "vener" out of the market. Then we would be able to normalize the monetary system naturally.

And one more problem associated with this—the universal dollarization of the Russian economy. Such a thing can only be imagined in an insane asylum, when a foreign currency is used in practically all trade and economic operations. Dollars make up more than half of what is now in circulation. They make up over 50 percent of all the cash in the country. Crazy!

Where Are the Property Owners? I am very skeptical about the current privatization strategy. Vouchers have played their role, that is, they brought down the social tension, but only that. They simply palmed off some illusion on the people in the form of the notorious voucher.

A more difficult problem is linked with our industrial monsters. As an example, in order to privatize 10 large companies, M. Thatcher needed 10 years. But what is to be done with our industrial facilities, which are probably a little tougher than the English ones? Will 10 decades be needed?

But many of my colleagues and I are worried about something else. In the sphere of classic business and private initiative, nothing has actually changed. Where are the private industrial enterprises in the cities, and where are the large farms in rural areas? Opening a small candle works today is just as hard as it was 60 years ago. The government of democrats, with their loud declarations about liberalism, the market, and free enterprise, have done nothing to alleviate the situation. They have simply driven private initiative to trade on the corners and in Luzhniki.

So they are pushing private capital out of industry and they are not giving it any space or any protection from the criminal and state rackets. Plus the taxation in the stratosphere. Well, think of it: a law-abiding private entrepreneur must give the state up to 90 percent of all his income. With such an apportionment in the world, no one will ever work.

One Blanket for a Pair. I have not believed in Tatar separatism or Sverdlovsk or Yakutsk separatism for a single day. The passions surrounding the division are nothing but political games based on a simple question: how do we divide the money (taxes) between the center and subjects of the federation? Moscow has traditionally taken 85 to 90 percent of the taxes, leaving crumbs for the localities. For this reason, we are also doomed to resolve this problem in a civilized manner, as in other normal countries, roughly in this manner: 40 percent to Moscow and the rest to the regions. But this has not been constituted yet and it paves the way for various local conflicts, from which separatism springs up. I assure you that when the question of taxes is settled sensibly, we will forget all our fears about the Far Eastern, Urals, and Yakutsk republics.

Back in the USSR. Economic reintegration and restoration of the former Soviet Union in the sense of an economic alliance is a matter of time, and very little time, I fear. Experience has shown that without the subsidies which the former Soviet republics received regularly for decades from Russia, they simply would not be able to survive. These subsidies were roughly equivalent to an average \$50 billion annually. Kazakhstan received 11 billion of the "green," Ukraine 7 billion, and Lithuania \$3.5 billion. And there is no kind uncle who will pay the deficit in their balance of payments to Russia. Even the Armenians are having no success in this direction, although they have the largest and most sympathetic diaspora in the world. For this reason, the CIS countries are doomed to establish a common economic space similar to the Common Market in Europe.

But does Russia need this? Are Russians in a position to bear the return of this burden of subsidies? Even our radical leaders are not prepared now for restoration of the previous integrated system.

Protectionism Or Competition.

We have proclaimed the opening of the Russian economy. But this gesture showed that we are not standing up to world competition in the market. At the same time, only foreign competition will be able to force the wheels of our economy to turn. We can understand those who demand protection from it and those who categorically speak out on its behalf. For example, our electronics industry has already been stifled by Japanese products, and there are innumerable cases such as this. In this connection, it is very important to find the golden mean which applies to the Russian economy.

In our time, no one dares to shut down our economic system completely, and a degree of protectionism is part of the political boldness of our leaders and political groups for this reason.

[Mironov] This was the "cheerful" conversation with Nikolay Shmelev. Our life was depicted in such pessimistic shades that I could not help but ask:

"Nikolay Petrovich, there is still hope for us to overcome this crisis faster, all the same. Perhaps some strong personality is in a position to do this? After all, don't we have obvious examples in Chile, Turkey, and South Korea?"

[Shmelev] Well, some general with his sword drawn will come along on his white horse. They will begin chopping off heads and military tribunals and all kinds of punitive actions will begin. Well, what good will he be able to do for the country? Except to crush organized crime, and that is possible. But he will not be able to solve those problems which we have been talking about. No, we do not need this...

Writer Wary Over Politicians' Optimistic Views of Economy

944E0776A Moscow *RABOCHAYA TRIBUNA*
in Russian 30 Apr 94 pp 1-2

[Article by Aleksandr Krotkov: "Goodbye Hyperinflation! Hello Hypercrisis?"]

[Text] For the first time in a long period monthly inflation rates have dropped to 10 and even 8 percent. Russia's President Yeltsin is also optimistic. In his recent interview with the journal SPIEGEL he announced that this year would become a year of stabilization for the country's economy.

However, experience suggests that to trust the optimism of politicians, especially those at the helm, is a risky thing. How stable can the emerging process of decline in the level of inflation be considered? This is the question.

On the one hand, if for some time the government succeeds in holding back the rates of rise in prices and even in lowering them a tiny bit, this will signify the fulfillment of our obligations to the world financial community. Consequently, we will have the right to expect new 1.5 billion dollars from the International Monetary Fund and a reduction in the rate [of interest] on international credits. Both "gifts," if we get them, will be most timely for Russia.

However, first, how many times has the International Monetary Fund already failed to live up to our expectations, putting off again and again under various formal pretexts the presentation of expensive "gifts"? Second, I am afraid that we ourselves can give it such a serious reason for the next delay that it will need no formalities.

The crisis in industry is growing. Instead of the expected 10 to 12 percent of reduction in the general industrial level of production, during the first quarter the real decline made up 25 percent of the level during the first quarter of last year. Whereas in January it made up 23 percent, in March, already 27 percent.

With due regard for inflation the annual volume of sectors' profit decreased to one-third! Only the fact that for now the authorities have not brought themselves to turn on the bankruptcy mechanism in the country to the extent to which it is stipulated by corresponding legislation saves sectors from the inevitable collapse. However, will Staraya Ploshchad be so undecided for long? Last week Russia's president sent a letter to the premier, in which he recommended that the bankruptcy procedure be used more actively for the solution of the nonpayment problem. If the cabinet of ministers heeds the supreme counsel, one can say with confidence that in the textile industry alone one-fourth of the enterprises will be auctioned off.

The situation in other sectors is not much better. Hundreds and hundreds of enterprises all over the country

are being closed for the May—more accurately, Easter—"vacation," which promises to extend over several weeks.

The curtailment of production, inevitably, will be followed by a new price jump: Goods will appear on counters, but demand will remain at the previous level. This will provoke the next inflationary wave. This is price stabilization for you...

"We must get used to living in a state of constant crisis. This process of convulsions in the economy will last more than one decade"—such is the opinion of the famous Russian economist Nikolay Shmelev. To be sure, this is a gloomy forecast.

Only massive, including foreign, investments in industry are capable of reviving production. In our country during all of last year they totaled a little more than 1 billion dollars. For comparison: In China they exceeded 150 billion dollars and even in Hungary, so tiny as compared with Russia, they reached 5 billion.

There is nothing surprising here: Few people who want to invest a great deal of money in enterprises, which will collapse any day now, will be found.

As it seems to me, the following conclusion suggests itself: Of the two evils—inflation and production decline—inflation, of course, on a moderate scale, should still be picked.

Soskovets on Taxation System Reform

944E0770A Moscow *KOMMERSANT-DAILY*
in Russian 22 Apr 94 p 3

[Article by Natalya Varnavskaya: "Tax Payment Should Become a Pleasant Necessity"]

[Text] Reforms await Russia's tax system this summer. As Oleg Soskovets declared at the congress of the Association of Russian Banks yesterday, changes in the tax system will be promulgated as early as June. For now government plans have the stamp of secrecy. However, there is information that fundamental reform of the existing tax system, which pursues primarily the aim of budget replenishment, can take place during the forthcoming summer.

The possibility of such a development of events is confirmed by statements by several high-ranking government representatives. Thus, at a government meeting yesterday Yevgeniy Yasin, director of the administration's analytical center, announced the need to increase taxation on citizens' "superincome," as well as to shift the center of gravity to taxation on the property of natural persons. For example, it was proposed that one-half of all citizens' income over 300 million rubles be withdrawn into the state treasury (the maximum income tax rate now makes up 30 percent of the amount of more than 30 million rubles). At present virtually any tax changes are made only in the interests of the budget.

The most important figures in tax policy also admit this. Thus, according to Deputy Finance Minister Sergey Aleksashenko, "any taxes pursue fiscal aims exclusively and all the rest is based on unnecessary complications." The reason for such an approach by the authorities is quite understandable: This is the only acceptable way out under present political conditions.

The parliament and the government work out the principles of tax policy. However, their realization is placed on the shoulders of the State Tax Service. The anger of taxpayers, who have lost any hope of understanding anything in the tax policy of the state, spills over at its representatives. The course of their thoughts is quite understandable. It is more difficult to understand the logic of representatives of the highest echelon of Russian leadership, among whom the negative evaluation of the work of the State Tax Service has become almost a ritual. Boris Yeltsin's message to the Federal Assembly, more accurately, the phrase that under the existing tax regime "it is impossible to live; it is only possible to die," gave the reason for the especially sharp criticism of the State Tax Service. Since that day almost every high-ranking government representative has managed to express dissatisfaction with the work of the tax service. It is most interesting that parliament members, who thus far have not examined a single matter concerning the making of changes in the existing tax system at their meetings, also express dissatisfaction.

Nevertheless, there is also a more valid accusation—of unjustified rigidity—brought against the tax service by representatives of entrepreneurial circles, in particular, in connection with the excessively rigid interpretation of some legislative acts; for example, of the law on the use of the word Russia and of word combinations formed on their basis in names of enterprises. Although the decision on the introduction of this tax was adopted by the parliament, it was the State Tax Service that gave a broad interpretation of this law, in accordance with which this tax is imposed on all joint ventures.

In the opinion of KOMMERSANT-DAILY experts, there are two most probable reasons for such behavior by tax service workers. First of all, the Ministry of Finance, of course, prompts the State Tax Service to more rigidly interpret tax legislation. At the same time, it would be strange to accuse the ministry of a desire to increase the revenue part of the budget. In any country throughout the world the Ministry of Finance primarily guards the interests of the state treasury.

The fear of accusations on the part of structures checking the activity of tax service workers, the most known of which is the procuracy, is also reflected in the fact that these workers make rigid decisions. For now it does not express dissatisfaction with the work of the State Tax Service, which was stated by the procuracy representative at the hearings of the State Duma last Tuesday. Nevertheless, law enforcement bodies usually interpret

any granting of tax privileges to taxpayers as the manifestation of corruption. Probably, the most rigid interpretation of legislative norms by the State Tax Service is due to fears to be subjected to such accusations.

The adoption of a political decision on serious amendments to the existing tax system by the parliament and the government in the very near future can be the most acceptable way out of the existing situation. However, in the opinion of KOMMERSANT-DAILY experts, this should not fundamentally change the existing tax system, because any global reforms will now lead to a legal chaos. At the same time, it is necessary to simplify tax legislation, to eliminate most (and perhaps even all) existing privileges, and to unify the periods of tax payment, while toughening control over the payment itself. Aleksandr Ivaneyev, director of the Department of Tax Reforms, also agrees with such an approach.

In brief, it should be simple and joyful, as far as possible, to pay taxes.

Trade, Industry Chamber on Taxation System Reform

944E0795A Moscow KOMMERSANT-DAILY
in Russian 29 Apr 94 pp 1, 3

[Report by Natalya Varnavskaya: "Business Circles Urge Reform of the Taxation System"]

[Text] The concept of basic reform of the current taxation system was supported at the session of the Trade and Industry Chamber (TPP) Board held yesterday. The State Duma is supporting the position of the most influential organization of Russian business circles and is resolutely speaking out for tax reform. The position is also shared by an absolute majority of entrepreneurs in Russia, who are demanding that the tax pressure be relaxed. Nevertheless, KOMMERSANT-DAILY experts have the courage to maintain that realization of these tax innovations is unlikely at the present time. And this is why.

The fact is that representatives of the federal executive authority—the government, the Ministry of Finance, and the State Tax Service—object to possible tax reforms. This is a decisive factor under the current political regime. However, let us report everything in order.

The TPP Board was preceded by a 3-day discussion of tax problems within the framework of a roundtable in which representatives of Russian business, government, and legislative authority met face to face with each other. Participants in the conference examined several directions for possible changes in the existing taxation system—the government tax program prepared by the Ministry of Finance and two "alternative" concepts—by Academician Dmitriy Lvov, deputy director of the TsEMI [Central Economics and Mathematics Institute], and Professor Vladimir Frolov, president of the "Nalogi Rossii" [Taxes of Russia] Association. The fact that Sergey Glazyev, chairman of the State Duma Committee

on Economic Policy, and Aleksandr Ivaneyev, head of the Tax Reform Department of the Ministry of Finance, took part in the roundtable shows that the Russian authorities are concerned about the subject under discussion. Most of the alternative taxation proposals were worked out several years ago, although they were brought to light only now. What do they consist of?

The Tax Program of Dmitriy Lvov

Dmitriy Lvov's concept provides for fundamental reform of the tax system, for the academician believes it is "fundamentally faulty": those sectors of the economy where profit is not being created, only redistributed, are being taxed (meaning secondary taxation of the incomes of the fuel and energy complex). The essence of Academician Lvov's proposals comes down to increasing the taxation of "Russia's natural wealth." In particular, it is planned to introduce rent payments for oil and gas (they should make up over two-thirds of all budget receipts). According to the academician's calculations, the state will be able to receive \$30 billion to \$32 billion, or 55 to 60 trillion rubles (R) through the rent, which is comparable with the federal budget deficit planned this year (about R63 billion).

According to Dmitriy Lvov, when the rent payments are introduced, all other taxes could be practically removed and "tax holidays" could be arranged—at least for the priority sectors of industry. This would make it possible to reduce enterprises' costs by an average 42 percent.

Of course, introduction of rent on gas and oil will require that important political decisions be made—in particular, on recognition of natural wealth as state property. Otherwise, republics and regions will be able to claim exclusive right to use the funds received from profit on the minerals they have.

In the opinion of many specialists, joined by Academician Leonid Abalkin, Lvov's program "deserves attention as a logically well-proportioned scientific concept," but its realization at present has been made difficult because of political instability.

According to estimates by KOMMERSANT-DAILY experts, the actual budget receipts after the introduction of rent payments are unlikely to exceed \$12 billion. And the sum of rent from oil may not be taken into consideration because it is extremely insignificant (the average production cost of oil is \$50 per metric ton, without taking into account transportation and the customs duty—with an export price of about \$80). In the situation that has taken shape, practically all rent payments will come from the profit on gas, which comes to \$10 to \$15 for 1,000 cubic meters with an average export price of \$80.

At the same time, it is also necessary to work out a correct system for collecting the rent, inasmuch as an increase in domestic prices to the world price level will lead not so much to an increase in tax payments as to a new inflationary spiral and production recession. A

better outcome in this case would be to maintain the prices for gas and oil for domestic consumers and introduce world prices for the exports. In this case, the overall total of rent would be no more than \$4.5 billion.

Tax Program of the "Nalogi Rossii" Association

Unlike Dmitriy Lvov's program, the concept of Mr. Frolov does not assume that the existing taxation system is completely abolished, but undergoes serious structural restructuring. In particular, it provides for an increase in the proportion of receipts from resource and land payments and a tax on enterprises' property of up to 60 to 70 percent. In this case, the inflationary value-added tax must be reduced to 13 percent and the tax on profit should be abolished. Inasmuch as the tax on profit, together with high bank interest rates, is the basic regulator in the struggle against overproduction—that is, against what is not seen in Russia at present. All the same, the "Nalogi Rossii" program proposes that the NDS [value-added tax] be retained, inasmuch as this tax is the hardest to evade.

Instead of an income tax on citizens and a tax on profit, the program provides for introduction of a completely new levy—a tax on consumption. In other words, when there is complete exemption from the tax on funds for investment, it is planned to tax all types of payments to physical persons in physical and monetary forms, including loans and representative expenses. The funds received from this tax should be spent mainly to pay employees in the budgetary financing field.

The idea of taxing the consumption fund set forth in the "Nalogi Rossii" program is not new—receipts from this levy make up about two-thirds of the income part of the budget in most economically developed countries. The rate of this tax in Russia may reach roughly 40 percent.

The association opposes a large number of taxes, although it also rejects a one- or two-tax system, inasmuch as it is extremely difficult in practice to create a faultless mechanism for imposing a single tax which cannot be evaded.

In this case, it would be advisable to adopt a tax code—a legal document of direct action, for which no interpretations and normative documents are required. According to Vladimir Frolov, his associates would require no more than 2 to 3 months to draft such a document (roughly 500 pages), inasmuch as the association already has practical experience now. The association president said the cost of his work would be moderate. In his words, the association would prepare a draft for his country for just R50 million.

The Lvov and Frolov concepts are now being considered by the Council of the Federation and the State Duma. According to information obtained by KOMMERSANT-DAILY, the Duma plans to entrust the "Nalogi Rossii" Association and Dmitriy Lvov's group with the drafting of two alternative tax codes. This information was confirmed by Oleg Grigoryev, an associate of Sergey

Glazyev. KOMMERSANT-DAILY has learned that the question of financing these efforts is now being decided, since the budget funds for fundamental studies are obviously inadequate.

The actual possibility that either program will be adopted will depend on the ability of those drafting the alternative plans to find supporters for their ideas among members of the government and the president's administration, inasmuch as—KOMMERSANT-DAILY reiterates this once again—the opinion of the executive authority is decisive on practically any matter under the political regime existing in the country.

**Model Structure of Budget Incomes in 1993 Prices
(in Percent of GNP)**

Source of Income	Existing Version	"Nalogi Rossi" Version
Value-added tax	10.4	7.4
Tax on profit	7.4	—
Tax on funds used for consumption	—	8.8
Excise tax (without tax on raw material)	1.5	1.5
Tax on right to extract minerals	1.2	3.7
Tax on property	0.3	1.5
Income tax on physical persons	1.6	—
Other budget incomes	10.2	8.2
Altogether	32.6	31.1

Proposed Budget Incomes in 1994 (in Trillions of Rubles)

Type of Tax	State Duma Version	Lvov Group's Version
Value-added tax	40	—
Excise taxes	16 (13.2 percent of total receipts)	9.5 (5.2 percent)
Rent payments	3.5 (2.8 percent)	124.6
Other receipts	60.5	46.9
Altogether	120	181

Minister of Labor on Socioeconomic Conditions in Russia

944E0748A Moscow ROSSIYSKAYA GAZETA in Russian 20 Apr 94 First Edition pp 1, 3

[Discussion with Gennadiy Melikyan, Russian Federation minister of labor, by the ROSSIYSKAYA GAZETA editorial collective, under the rubric "In the First Person"; place and date not given: "Gennadiy Melikyan: 'The Duty of the State Is To Provide a Job and a Wage'"]

[Text] Starting today we are beginning the publication of items under the new rubric, "In the First Person," in which statesmen, public figures, and politicians will make statements.

The first item is devoted to a meeting between the editorial collective and Russian Federation Minister of Labor Gennadiy Melikyan.

[Melikyan] Things social and economic are dualistic. One cannot be separated from the other. This is why I would like to begin with this interdependence right away. The trouble is that under the current circumstances enterprises, if they have funds, are striving to allocate them for current consumption, primarily wages. This is why the average wage at "rich" enterprises, especially in the fuel and energy complex, has already exceeded 1 million. The relatively "poor" enterprises behave in virtually the same manner, it is just that their potential is smaller. This situation is a direct consequence of unsettled ownership arrangements. Enterprises are free, which includes having the freedom to use available funds. However, there is no "effective" owner who is interested in accumulating funds rather than eating away at them. The state has withdrawn from monitoring the effectiveness of the use of its "state" grace. The shares of joint-stock companies, at least those of many of them, are dispersed among thousands of shareholders; frequently the controlling bloc of shares is held by the labor collective, whose members currently perceive themselves as hired labor rather than owners. Therefore their main interest is to increase current income rather than accumulate capital.

Indeed, we have suppressed inflation somewhat. We have suppressed it, to a degree, artificially, and then by quite uncivilized methods in a number of cases—by not paying grants, by depriving the budget-financed sphere of funding, by not paying for products ordered by the state, and so on.

Indeed, we have succeeded in financial stabilization. For the third month running inflation has been at the level of 9 percent. This had not been the case for a long time.

In general, there are positive and negative aspects to each of the processes currently underway. We have suppressed inflation, but what has this led to in production? The volume of production is in a free fall—down 25 percent in the first quarter.

What is the result of the fall? The taxable base is shrinking. Budget revenues are diminishing accordingly. Ultimately we either have to agree to a greater budget deficit, which will trigger inflation, or will be forced to cut back expenditures yet again. You suppress inflation, and incomes fall. This is classic!

To an even greater degree we are worried about what may happen to production itself, especially employment. After all, things such as nonpayments and employment are very strongly connected. Previously we had nonpayments of a greater size than we have now—that is, of course, if they are adjusted for the price index. However, nonpayments are different at present. Enterprises used to have the ability to wiggle their way out of it somehow. Nonpayments are actually afflicting production directly.

In 1992 and 1993 our enterprises stopped, too, though not as many as have stopped now. This was primarily associated with a shortage of raw materials and subcontracted parts; the severance of economic relations was a factor.

What are production stoppages associated with at present? Effective demand is absent, it is impossible to sell products. This pattern follows: Production facilities shut down because of lack of funds, and mass unemployment sets in. Enterprises will shut down anyway, even if our drawn-out bankruptcy arrangement is not fully used.

In the process, some enterprises objectively face the impossibility of operating normally because of sharp changes in price ratios. If we look at the two years and three months since the beginning of price liberalization, prices for various goods have increased very differently during this period. The rise has been meteoric in the case of energy resources and transportation. The rate of growth in the food industry and a number of other industries has been much smaller. All of this has brought about a segment of the economy being inefficient.

[ROSSIYSKAYA GAZETA] However, might this have been foreseen, perhaps?

[Melikyan] It might have. After all, the structure of the economy of the Union evolved in a certain price environment—with energy, transportation, etc., being cheap. If we proceed rapidly along the path of liberalization and the price ratios change, this means that the question of what to do about certain parts of the economy, for example, transportation, should be answered. Director of the Institute of Projections Yuriy Yermenko demonstrated the possible consequences of a rapid liberalization of prices as early as the late 1980's. One of his conclusions was precisely that this would unavoidably bring about either the collapse of a part of the economy or the need to artificially support some enterprises by way of grants.

This is why many people suggested at the time: Let us change the structure of the economy in stages, using centralized methods, bringing this structure closer to the one that should be evolving in the environment of a market economy and unrestricted prices. Prices should be extensively liberalized at a later stage. However, it was impossible to implement these proposals in the period in which they were made. The political power and influence of the military-industrial complex would have actually made it impossible to carry out broad-scale restructuring in the economy. That is to say, this was a typical example of how the economy was tied to the political structure of our society.

Later, the right time was missed. I am profoundly convinced that after the August events of 1991 it was no longer possible to prevent the collapse of the economy without liberalizing prices. It is just that there was no adequate administrative power for it, and in the absence of such, for example, price controls cannot be imposed.

That is to say, stage-by-stage liberalization in the economy had already become impossible.

And it is so at present. We say: From the point of view of economics it ought to be that way. Indeed, it ought to. Meanwhile, social constraints operate in their own way. Recently we debated the miners. What we are proceeding to do actually runs counter to all economic logic in every sense of the word. What are we doing? We are allocating tremendous grants. The coal industry has now been allocated grants for the year coming to almost 8 trillion rubles [R]. How will they be distributed? All enterprises of the industry have been segregated into groups. Those that are more efficient and operate under good mining and geological conditions, those whose producer cost is low—these enterprises will not get anything! Who will get the bulk of the grants? Those whose conditions are bad, whose coal is hard to mine, and whose producer costs are high.

[ROSSIYSKAYA GAZETA] That is to say, we traditionally support the weak. Of course, there is a need for that. However, from the economic standpoint it is pernicious not to offer incentives to the strong, is it not?

[Melikyan] Naturally. After all, tremendous resources are channeled in the process to the sphere that produces no return. Therefore the overall effectiveness of the economy declines. However, do we have an alternative? Perhaps only that of closing down the weak enterprises. However, in this case I will go back to what I have said: What are we to do about the people? Are we to promote unemployment and crime?

Being mistrustful of everyone, we did our own calculations. Of course, it turned out that the standard of living has fallen quite perceptibly, especially in 1992—by about 30 percent. In 1993 a slow correction began. However, we are still far from the prereform period.

In the latest period we have succeeded in solving just one problem. People who lived below the subsistence minimum have begun to live somewhat better—this is according to surveys received in February. However, the improvement is temporary. Prior to February (it happened in December), we made special-purpose payments, and they "zeroed in" precisely on the least affluent. Three avenues were involved. First, a system of allowances for children was modified, and the allowances were increased. The allowances ended up in low-income families. Second, wages in the budget-financed sector were raised in December. However, the bulk of additional payments fell on the beginning of the year, and this produced results. Compensations for retirees were also increased. The situation changed a little bit right away. It may still linger. However, a few months from now everything will come back to the way it was unless new measures are taken.

[ROSSIYSKAYA GAZETA] Gennadiy Georgiyevich, our editorial office has an ITAR-TASS report quoting

your ministry which says that 40 percent of our population live below the poverty line in our country....

[Melikyan] It is not so. During all of 1993 there were fluctuations between 27 and 35 percent. In February a sharp decrease occurred: According to surveys, 16.7 to 17 percent lived below the subsistence minimum. In March the minimum came to R60,000. This is the average.

[ROSSIYSKAYA GAZETA] Many people predicted an explosion of strikes and mass discontent in the spring. Do you believe that this is realistic?

[Melikyan] Perhaps better than any other ministry, ours feels how, when, and where social tensions build. For example, last year we predicted the situation several months in advance with the greatest accuracy. This was not difficult because all of our interrelationships with the trade unions indicated that preparations for conflicts in the fall were underway. They began to form strike committees in the regions, facilitation committees, and committees for the struggle to improve the living conditions of the working people. We determined right away when the "explosion" was going to happen. This time there were preparations, too, and they thought that the "explosion" would occur in April.

To be sure, the "explosions" of discontent among the miners and their arrivals here were organized by the corps of directors rather than the trade unions. The struggle for grants is on. The Ministry of Finance proposed subsidies exceeding R5 trillion. The coal industry people demanded first R14 trillion, and then R11 trillion. The struggle began. The directors were ostensibly on the sidelines.

[ROSSIYSKAYA GAZETA] However, are our trade unions and the corps of directors actually united?

[Melikyan] Yes; I asked myself with what funds had almost 550 people traveled here. How much does maintaining one person at a Moscow hotel cost at present? They took offense. However, in this case I will stick to my conviction.

Frankly I am apprehensive about the fall. Much depends on how we are going to behave. Why did I begin with the general situation and with the fact that we have contained inflation? I am afraid that the Romanian scenario might occur. Let us recall the period before they toppled Ceausescu. They also squeezed incomes for a certain, limited period of time, came close to repaying the foreign debt, and solved many other financial problems. However, ultimately the spring snapped.

[ROSSIYSKAYA GAZETA] What is your attitude toward the president's edict on the responsibility of managers for failure to pay wages? As far as you know, has there been a surge of directorial indignation?

[Melikyan] The issues of nonpayments are always fundamental. At present they are one of the main reasons for

social tensions. All of you remember the 1992 nonpayments when prices were decontrolled. They were associated with a lack of cash. The absence of cash now accounts for 0.4 percent of unpaid wages. Gerashchenko assures us that in cases in which they refer to a shortage of money it is just a lack of dispatch on the part of local banks, and this is indeed so. However, at present no payments are being made because enterprises do not have funds.

[ROSSIYSKAYA GAZETA] Apparently in this instance we should take into account who the employees sign labor contracts with.

[Melikyan] Correct. They sign the contracts with the management of enterprises. Under the law the management should pay the grant at the established times. In general, the management should take the first blow if the collective is dissatisfied.

There are wordings in the Code of Labor Law, the Code on Statutory Violations, and the Criminal Code according to which charges may be filed against the management of an enterprise for failing to pay wages, but on the condition that some kind of premeditation is detected.

Premeditation does occur—for example, an attempt to provoke a strike. Incidentally, this was how preparations were made for October of this year [as published]. Specific preparations were made so that funds would not be credited to the accounts of enterprises but rather be put to use elsewhere. Meanwhile, their own employees were told that there was no money.

For example, I am aware of an enterprise that is not paying wages but has foreign exchange, and a lot of it. So, sell it! No way. Another enterprise holds shares, for example, in the Avtobank. Their conversion [into cash] is elementary. Sell them! They will not. In many cases the managers do not wish to do so, and dig in their heels.

However, I am far from thinking that the government is absolutely without blame in this instance. If the nonpayment of wages afflicted 8 or even 12 percent of the enterprises here, I could say that this is the directors' concern. As it is, you have worked poorly and have failed to ensure the regular organization of production, and now you answer to the collective. However, when this process involves 30-40 percent of enterprises we are looking at a general economic dislocation. This means that something in the system is wrong.

Recently an acquaintance of mine, the director of a metallurgical combine, visited. I told him that I knew who he was not paying. Miners had shipped coal, he had received it and was sitting tight. I shamed him, but he laughed: Stop picking on me with those moral principles of yours, he said. We supposedly no longer have them in our economy. So, he said, I will withhold payment for as long as I can.

[ROSSIYSKAYA GAZETA] However, this actually amounts to interest-free credit. He does not pay the mine, the mine cannot pay the workers. Others do not pay one another in the same way. What can a system of economic sanctions be in this instance? What steps should the state take?

[Melikyan] Previously we had many mechanisms. There was a calendar sequence of payments out of the funds taken in by enterprises. In addition there was a blockage rule with regard to wages. If payday was drawing nearer, a certain amount of wages had to be retained in the account and not remitted anywhere. This was later abandoned. the sequence of payments is now such as the enterprise itself resolves to have, plus there are priority payments, for example, to the budget.

Have you noticed that a proportion of wages are being paid in kettles, pots, and irons? Why is this happening? Because the director does not want this money to be credited to the account since it will be drained away by taxes right away.

We have now proposed to again block some of the funds for wages in enterprise accounts. Of course, not all the funds, but at least six times the minimum wage, or four times the minimum wage in the extreme. Following a protracted debate with the Ministry of Finance we agreed that such blocking can amount to no more than one-half of the funds that should be remitted to the federal budget. After all, the budget should be replenished, too. If the budget lacks funds organizations that are financed by the state, for example, schools, hospitals, and so on will experience problems.

[ROSSIYSKAYA GAZETA] Was the Ministry of Finance naturally afraid of "doing in the budget-financed sphere" if the monies were claimed by wages?

[Melikyan] Precisely. This is why we reached this compromise, and I still hope that this system will be implemented. However, it will not save the day completely but will merely improve the situation.

[ROSSIYSKAYA GAZETA] This is certainly a coercive administrative decision.

[Melikyan] Of course, this problem should have been resolved radically in a different manner, for example, by "shaking loose" the nonpayments. However, given that 27 percent of our enterprises have a negative balance at present, even a mutual offsetting will indicate that many will still be left with a negative value. What is to be done about them? Are they to be closed down?

Some will have to be closed down, although I believe that the closure is not the main point—this threat should hang over the enterprise and its management and prompt them to hustle and look for reserves and work opportunities....

Unfortunately, at present a considerable proportion of the effort does not go into that but rather into an attempt to cover high costs by raising prices. This was the case

before for the most part. At present, in the environment of limited effective demand, opportunities to greatly overstate prices have diminished for many enterprises, especially non-monopolies. Opportunities for increasing nonpayments (a variety of interest-free commercial credit) are likewise limited. This is why the pressure on the government, including demands for easy credit, grants, and various relief, has clearly increased. I think that we will have to proceed to support a number of enterprises. Of course, this will bring about a certain growth of inflation. Let it be 12-14 percent a month rather than 8-9 percent, and let restructuring advance more slowly, but may there not be a mass stoppage of enterprises and cataclysmic unemployment. That is to say, we will continue to transform our economy more smoothly and at a lower sociopolitical cost. Any attempt to do everything in one fell swoop endangers all reforms altogether.

Of course, my economist colleagues might accuse me of deviating from economic expediency. However, the wisdom of practical policy is found precisely in taking into account the entire spectrum of relations rather than only the narrowly economic segment, no matter how superior its significance is.

However, I am categorically opposed to turning this country into a universal "welfare department." This would be harmful to us all.

Some time ago we surveyed 140 enterprises. Surprising things came out. For example, everyone is talking about a sharp increase in the cost of energy resources. However, enterprises at which any special systems of incentives for saving energy resources and expensive materials are in effect are few and far between. Here is the answer to many questions for you.

This is why I will say once again: We should help, but in the process at least two conditions should obtain. First, an appeal for help should automatically call into question the competence of the enterprise management for the positions they hold. This is not to say that the director should be dismissed immediately, or that the meeting of shareholders should be required to take this step. There are objective reasons, and they should be considered. However, each manager should feel personally responsible for the financial standing of his enterprise.

Second, assistance should be provided solely in conjunction with specific programs for the development of the enterprise.

[ROSSIYSKAYA GAZETA] Support for enterprises through the implementation of specific programs is one of the directions for an overall recovery in the economy. However, there are such avenues in the social sphere, too, are there not?

[Melikyan] I am profoundly convinced that we have failed in ensuring that, for example, housing become one of the engines of the economy. If we act as we are

now—either providing housing free of charge or selling it at full cost—things will not get moving. A very narrow circle is able to purchase housing at full cost in our country, even on an installment plan. This is why there must be some kind of state support. It will pay for itself. We will prompt people to make money because many are prepared to apply themselves for the sake of housing, and apply themselves all the way. We should take advantage of that.

I am profoundly convinced that we have allowed an entire sequence of mistakes to occur at the initial stage of the reform. We have allowed mistakes to occur, and we should acknowledge them.

[ROSSIYSKAYA GAZETA] Which mistake do you consider to have been the main one?

[Melikyan] It was the notion that the invisible hand of the market would do everything all by itself, and that everything could be done in one fell swoop.

I also believe the anticipatory increase in incomes at the end of 1991, prior to the liberalization of prices, to have been a serious mistake. There is a lot in the Shatalin-Yavlinskiy program, "500 Days," and other programs from this period that we might disagree with. However, all of them emphasized "tying up" the money prior to the liberalization of prices. For our part, we did the opposite in the last months of 1991. We not only failed to tie up monetary savings and income but said that there would be a price increase, and therefore anticipate yet another increase in wages, retirement benefits, and so on. Do you remember what we got as a result in November and December 1991?

[ROSSIYSKAYA GAZETA] However, prices also took off in anticipation of wage increases....

[Melikyan] At that time we also adopted the thesis that incomes do not have to be regulated. We had leveling all the time, it was said, and now we would decontrol incomes. They would be whatever they ended up being.

[ROSSIYSKAYA GAZETA] Are you of the opinion that prices, incomes, and the economy in general should be regulated?

[Melikyan] Of course. There are no countries without such regulation. The degree and the methods are at issue—for example, through the taxation of the individual income of citizens. However, the present-day mechanism for individual taxation of citizens is not working. We are not a Switzerland, not even an America. We need a lengthy period of time for people to learn to fill out returns, to be law-abiding, and to indicate all their income. So the mechanism is not working.

Look at how the mechanism is structured. Let us assume that I make R 500,000, and you make R 50,000. The same 12 percent is withheld from us all the time until my R 500,000 salary adds up to R 5 million. It will reach this level as late as November, and the difference in the collection of taxes will begin as late as November. They

will withhold 20 percent from me as late as November, and then only from the November wage. My wage for the 10 months will remain taxed at 12 percent.

[ROSSIYSKAYA GAZETA] Should we expect this mechanism to be revised many times yet?

[Melikyan] Undoubtedly.

[ROSSIYSKAYA GAZETA] What is the "import" of this from the point of view of social policy?

[Melikyan] Money cannot be wasted right and left. It was stupid to proclaim the thesis that we will pursue a nonmonetary policy instead of a monetary policy. All this is far-fetched. It cannot be pursued instead, it can only be pursued as an addition.

Of course, it is necessary to take social factors into account. We cannot ignore them.

At present, we cannot influence enterprises in the sphere not financed from the budget as far as wages are concerned. We have adopted a pay scale for the budget-financed sphere, whether it is good or bad. However, there are no particular mechanisms for the sphere not financed from the budget. To be sure, there is a certain impact through the pay scale agreement which is technical in part because we still do not have owners. Given that representatives of both the employer and the trade unions demand from us that wages be increased, a conclusion may be drawn from this as to what the real employer is in our country. Actually, he is a hired employee, and all of them are now demanding: Give it to us, and that's it!

[ROSSIYSKAYA GAZETA] You have touched on the topic of mutual relations among trade unions, employers, and the state, the problem of the trilateral commission.

[Melikyan] It died down during a certain period. It was dead right after the putsch. Later we decided to bring back this trilateral commission after all. We cannot do without negotiations, without a search for accord and compromises. Conflicts, dictates, and tension are the alternatives. However, a problem developed in putting together the trade union side. We now have about 70 various trade unions. They just could not agree. This dragged on for several months. However, the commission began to operate recently. A new coordinator, Deputy Prime Minister Yuriy Yarov, was confirmed by an edict of the president. We succeeded in signing the General Agreement between trade unions, employers, and the government. There were many problems, and there still are. We are trying to solve them gradually.

The trade unions did not ultimately come to an agreement within the new representation, either. Some of them withdrew. In principle, we have yet to sort things out with many trade unions.

We sometimes try to make use of a ready-made mechanism such as it exists in the West. However, employers are absolutely different there. Their employers are the owners or representatives of the owners. They know that if they raise your wages it will be done out of their profits or their wallets. This is why they fight you.

In our country it so happens that the employers and the trade unions are on one side, and the government is on the other. Logically the government should not be taking part in this debate. Its role is sort of that of a justice of the peace, a guarantor who sees to it that the rules of the game are complied with in a regular manner, so that they do not devour each other. However, at present the government cannot stand aside. If it remains on the sidelines, the wage situation in some industries, especially monopolistic ones, will be even worse than now. Take power generation. They (both the trade union and the employer) would set such pay rates for themselves that they would seem sky-high to us. The same would happen in other industries because there is no objective confrontation here. There should be such between the employers and the trade unions. Besides, the trade unions themselves are, pardon me, not entirely normal. You will agree that both the employee and the director should not happen to be members of the same trade union.

Incidentally, I am trying to preach an idea which many of my colleagues do not like: the idea of strong trade unions.

[ROSSIYSKAYA GAZETA] Gennadiy Georgiyevich, do you have a program for extinguishing social conflicts?

[Melikyan] We are organizing a service for settling collective labor disputes. So far it is very small, but territorial subdivisions are already being established. Incidentally, the heads of administration of virtually all the regions are asking us to organize something of this nature in their areas, too.

[ROSSIYSKAYA GAZETA] Does this look like a trade union?

[Melikyan] No, it is precisely a mediation service. It can subsequently become a neutral panel of labor arbitration, a court. We are now raising the issue of creating a legal inspectorate. Labor legislation is being violated by and large. The procuracy provides general oversight, but the labor inspectorate should specifically verify compliance with labor norms. Incidentally, such inspectorates exist everywhere in one form or another. If there were a formidable inspectorate, the situation with both occupational safety and the payment of wages would be somewhat different. The trade union legal and technical inspectorates have begun to retrogress little by little, especially after the social insurance fund was taken away from them.

[ROSSIYSKAYA GAZETA] Is this to say that the legal inspectorate will be your subdivision?

[Melikyan] We are "in favor," but at present the dispute is on.

[ROSSIYSKAYA GAZETA] What about the occupational safety inspectorates? They have also collapsed, after all...

[Melikyan] We were entrusted with this business on a temporary basis. Recently I was confirmed as the chairman of the appropriate interdepartmental commission. I think that this function will be assigned to us altogether. What does everything hinge on? There are two documents standing in the way. First, there is Basic Legislation on Occupational Safety. It was put together in a very unfortunate manner; it calls for the establishment of yet another new structure which would provide control and supervision over occupational safety.

I believe this to be absolutely superfluous. The Ministry of Labor or another existing organ may be entrusted with relevant functions.

[ROSSIYSKAYA GAZETA] Is the function of the "blue helmets" which you have assumed temporary?

[Melikyan] Do you mean the service for settling collective labor disputes? Hardly so. Experience indicates that even well-off countries have similar services. It is just that at some stage they have been transformed into something akin to labor arbitration. Moreover, the Americans, for example, now have labor arbitration within the organization of the Department of Labor.

[ROSSIYSKAYA GAZETA] Is this why you also intend to take over the employment service?

[Melikyan] I believe that a mistake was allowed to occur when the Ministry of Labor was split into three independent structures. Is it the business of the employment service to develop a labor market policy? No. This is the business of general economic policy. For its part, the employment service should organize registration of the unemployed, payment of benefits, retraining, and job placement. The Ministry of Labor will thus be assembled "under one roof."

[ROSSIYSKAYA GAZETA] When the struggle for changes in our society began we very much wanted to escape from the dictate of the state and transfer many functions to society. We wanted the public not to be deprived of its rights to the degree it used to be. It is now coming out that many services have been taken away from the public, and we are transferring them to the state.

[Melikyan] Let us recall this: When too many gifts were bestowed upon the trade unions, they actually became a state structure. I believe that state-public structures can and should exist. Moreover, some functions can be

performed by public organizations in their entirety. However, I think that this will not be done today or tomorrow.

I think that the role of the state should be significant for now and in the future.

Novolipetsk Combine Director on Nonpayment Problems

944E0796A Moscow *RABOCHAYA TRIBUNA*
in Russian 6 May 94 p 3

[Article by Ivan Frantsenyuk, general director of the Novolipetsk Metallurgical Combine: "We Are Surrounded on All Sides"]

[Text] The combine considers it extremely necessary to take steps to end the production recession. The plan we outlined for this year has indicators which are higher than in 1992—for agglomerates, coke, cast iron, and steel. But today, like everyone else, we are in a difficult financial position—we are insolvent. We owe 6 billion rubles [R] for the mineral raw material, R3 billion to the coal miners, and R4.5 billion to the power engineers. Our total debt for bank loans is R4 billion. Altogether, we owe R32.4 billion, and we are owed R26 billion. Our debtors include a number of pipe plants—the Volga, Almetyevsk, Chelyabinsk, Seversk, Moscow, and Lenin-grad plants. The pipe manufacturers alone owe us over R17 billion.

We cannot be insolvent: the power engineers have already told us the transmission of power to the combine is being cut back by 40 percent. We will be leaving those customers who do not pay, and the combine has already worked out a combination of steps in this direction.

We have asked the Committee on Metallurgy to resolve a number of problems which could improve our financial position through government organs.

They include matters related to foreign economic activity. How do we take part in this activity if we are handcuffed and our legs are shackled? We are paying a 25-percent duty to import equipment intended for renovation, we are paying taxes on exports, 10 percent for Russia's stabilization fund and other funds and local organs. What is left for enterprises from their foreign trade activity? There are also additional requisitions in the form of a tax on profit obtained from exports. Last year we paid R64 billion for this tax alone.

The State Customs Committee is hampering work in foreign trade operations as well. We are even prepared to transfer part of the wage fund to the Voronezh Custom-house: let them develop and increase their work force. They work on one shift, but we work on three: our production is continuous, and the combine ships its output for export day and night. As a result, hundreds of railcars with products destined for export. But the customs people do not have the time and people to inspect

them. When imported equipment arrives, the custom-house does not authorize it to be unloaded.

We must not be exasperated by the railroad tariffs introduced recently, which make the shipment of materials cost more than the materials themselves.

It is time to turn our attention to the entire taxation system—this is a system which is killing the producer! By paying the taxes, we are essentially providing credit to everyone without interest. But why, if there is no ability to pay, don't they give us interest-free credit for even 3 or 4 months? If the combine does not pay in time, then fine it or tax it whatever you think necessary. But in principle, why are we worse than any other enterprise in other countries? Why do we receive credit at 210 percent, while it is 8 to 12 percent there?

In December, the combine began a plant to turn out 1 million refrigerators—a reliable, modern enterprise. Why not remove the tax on the profit which we are counting on for the foreign loans of \$276 million, at least for the first 3 years? We still owe \$176 million of this sum, but we have to pay the state the tax on profit. What kind of concern for consumer goods production is the state showing here? Despite the tremendous difficulty, we have also organized the production of trailers (10,000 units annually), motor vehicle spare parts, tape recorders, television sets, and other video equipment, but now we have to pay taxes on all the production facilities, in which a tremendous amount of money has been invested. This is why there is no development of consumer goods industry in the country: you have your knuckles rapped if you decide to organize it.

One more question. Previously they left a 5-percent fund for enterprises in the event that it was necessary to deal with an accident, prevent a production stoppage, or the like. But the Ministry of Finance abolished the "first aid." We are asking that the government raise the question of setting limits for enterprises' urgent needs.

By the end of the year, all the money will be swept out for the budget—the federal and oblast budgets—and there won't be a ruble left for the enterprises! All the funds are confiscated automatically before the first of February as tax payments. How are we to pay our employees? We ask the government to reserve 10 percent of the enterprises' production cost of the metal products turned out to pay for wages. At the same time, it should be kept in mind that in countries with developed metallurgical production, a minimum of 30 percent of the production cost of output goes for employee wages.

Kuzbass Experiments With Creation of Industrial Corporations

944E0792A Moscow *RABOCHAYA TRIBUNA*
in Russian 4 May 94 p 2

[Article by Yuriy Sosin, director of the Scientific Research Center for Problems of Economics and Management (Kemerovo), under the heading "Economic

Restructuring": "They Cannot Be Harnessed to the Same Cart: Lessons From the Creation of Industrial Corporations in the Kuzbass"]

[Text] The Kemerovo Oblast Administration possesses an amazing gift: it constantly presents the people of the Kuzbass [Kuznetsk Basin] with various "miracles" which will supposedly help overcome whatever their latest problem is. The latest such "miracle" was the "Free Economic Zone." Everyone knows what became of that. Recently, belief in a new "miracle" has emerged, this time the financial-industrial groups (FPG [finansovo-promyshlennyye gruppy]), based on a regional financial-industrial group called the Kuznetsk Company. Supposedly we can pull ourselves out of this crisis by our own bootstraps, right here at home.

In a recent address to his fellow citizens M. Kislyuk, governor of the Kuzbass and also administration chief of mining towns and head of a number of coal-producing enterprises in the oblast, stated that "information received from Moscow indicates an unwillingness and inability to establish order, not in basic industries such as the coal industry, much less in the entire country." That statement preceded a rather curious conclusion: since B. I. Yeltsin and V. S. Chernomyrdin are not capable of establishing proper order in the country, we are going to help see to it that they are replaced and wait for "our own people" from Russia's Choice to take office. Is that really the issue?

Is it up to the drowning to save themselves? Can we break this crisis right here where we live and create an economic oasis? Laudable! But is it possible at this point in the game? Can the planned Kuznetsk Company actually function effectively? I assert that it cannot. Why am I so certain? Because such a decision is not economically justified or well reasoned. It is proposed that this faulty concept be used to create a new hybrid, something like Sovrynkhov—a market-oriented sovkhov. Judge for yourself. The Kuznetsk Company FPG is supposed to combine in a single entity 278 major industrial enterprises in the coal, metals and energy industries and rail transportation. Or, to put it another way, 30.7 percent of all large enterprises in our oblast. But that is not all. There are plans to lock up R18 billion [rubles] in fixed capital in the Kuznetsk Company FPG at 1984 prices, which is equivalent to 73 percent of all fixed production capital in the oblast economy. Would that not constitute a supermonopoly?

If such a decision were actually approved even for a short period of time, then we would definitively lump all of our problems together and witness a repetition of the failed company that was supposed to create a free economic zone. Once again the mountain would produce a mouse.

Addressing an expanded session of the Russian Federation government, B. Yeltsin said that the creation of an FPG "is a means of concentrating resources in growth

areas and supporting investment activity and competitiveness. The government must find the proper course in order not to slow down or hamper this process, but rather to monitor it and head off adverse effects." To what was the President referring when he mentioned "adverse effects"? Possible the very "ideas" that are leading to establishment of a "Sovrynkhov" and others like them. It seems to me that the Kuzbass administration, in order to avoid falling into another quagmire, should carefully study both our own Russian experience with the establishment of corporations (FPGs), i.e., KamAZ, ZIL, NGMK, Lukoyl, etc., as well as the tremendous amount of time-tested experience accumulated in the United States, England, Germany and Japan.

A question naturally presents itself: on what financial basis are they attempting to establish the Kuznetsk Company FPG? According to a statement by A. Lavrov, chairman of the oblast Committee for State Property Management, it will include not only gigantic regional complexes in specific industries—coal, metals, energy and rail transportation—but also the committee itself, the Kuzbassinvestugol Corporation, etc.

As for the committee, it is obvious that this is an effort to save it from collapsing altogether. But why at the expense of coal and steel producers? That is not just a financial question, it is a moral one. An artificial hybrid will not produce positive results. On the one hand, it sharply restricts organizational and scientific-technical maneuvering room, and on the other it restricts and thoroughly obstructs the field available for economic maneuvering. As a poet once said, a horse and a skittish deer cannot be harnessed to the same cart.

Our preliminary analysis indicates that for the sake of the oblast economy it would be appropriate to establish in the Kuzbass, first of all, three major corporations (FPGs): Ugol Kuzbassa [Kuzbass Coal], Metall Kuzbassa and Sibkhiymiya [Siberian Chemical]. As for rail transportation and electric power production, they, as key elements in the federal manufacturing infrastructure, should be independent components of the economic process.

Now a few comments regarding the actual composition of the proposed FPGs. This should be dictated solely by economic expediency. For example, the Ugol Kuzbassa FPG should be comprised of coal mining and processing enterprises, specialized machine building plants which manufacture mining equipment, internal production-related infrastructure, a mine rescue unit, research and design organizations, investment companies along the lines of Kuzbassinvestugol, and so on.

Even by world standards this would be a very large corporation. Judge for yourself: it would have fixed capital of R12 billion in 1984 prices. Currently more than 241,000 people are employed in coal mining alone, with more than 400,000 working in the coal industry as a whole.

In my opinion, what we need here is not an artificial patchwork of an FPG, but instead an integrated economic fabric and an integral connection between everyone that becomes part of the corporation. Particular emphasis should be placed on creating systems of specialized trading companies in coal sale centers.

In our opinion, all the enterprises and organizations that comprise an FPG should be financially independent. They would be required to operate within the framework of a single economic, scientific-technical and investment policy and strategy, but that would be the extent of it.

The coal industry is, I repeat, subsidized. One should not expect any substantial foreign or private investment in the near future. Consequently, we will have to carry out this restructuring using federal budget funds only. Therefore I feel that it would be very appropriate to develop a special program for coal industry restructuring in the 1995-2010 period, with a breakdown of investment by year.

The planned Metall Kuzbassa corporation would include, in addition to anything else, 35 of the largest enterprises in the ferrous and non-ferrous metals industries, with R5.8 billion in fixed capital at 1984 prices. This would be a huge system, and it should be set up according to the same principle as the Ugol Kuzbassa FPG. However, if possible it should also consider broader cooperation within Siberia and Russia and be oriented toward multinational corporations.

Corporations are, on the one hand, the most highly developed form of enterprise and production organization, and there are things that can be learned from them. On the other hand, being part of one makes it possible to attract needed investment funds, technology and access to the world metals market so that we can sell our products at normal world prices, not at discounted or unprofitable prices. Under the right conditions such a corporation could within five to seven years develop successfully on the basis of self-financing, loans and private investment.

Particular attention should be paid to the formation of a corporation (FPG) to unite enterprises in the chemical industry. Creating one within the Kuzbass exclusively would be to create nothing.

The problem is that the Azot AO [Joint-Stock Company], the Khimvolokno AO and other enterprises in the Kuzbass chemical industry are economically and technologically very closely linked to oil producing and refining enterprises in Western Siberia and with tire plants in the Altay region and Eastern Siberia. Therefore this corporation should be created first on an interregional and then on a multinational basis, because the chemical industry, like the oil industry, is economically efficient and could under certain conditions compete in world markets.

There is not a single reasonable person who doubts or would dispute that it is essential to create corporations in

the economy of Russia in general and that of the Kuzbass in particular. To a certain extent we have already attempted to take that route, as the establishment of production associations in the USSR was an attempt to utilize a form of incorporation, but without its principal aspect, i.e. a market orientation.

In order to make up for lost time we must, as A. Sakharov said, "travel their path," i.e., follow a trail that has already been blazed abroad. Since we now lag behind, we must catch up. And we may yet surpass them.

Sergey Glazyev Assesses Draft Agreement on Civic Accord

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in Russian 21 Apr 94 pp 1, 4

[Article by Sergey Glazyev, chairman of the Committee on Economic Policy of the State Duma: "Formula of Accord Under Crisis Conditions"]

[Text] The movement toward national accord, which began with the adoption by the State Duma of the Memorandum on Accord and with the president's initiative for the preparation of an Agreement on the Achievement of Civic Accord in Russia, which was later supported by leaders of the constructive opposition, in the last few weeks has become stuck in bureaucratic measures, has been emasculated in numerous assessments by unscrupulous interpreters, and, as a result, has been drowning in waves of mutual distrust. The draft agreement on the achievement of civic peace proposed by the working group for discussion does not have a concrete content in the economic part and threatens to transform the most important process of achievement of public accord on the key direction in the domestic and foreign policy of the state into a regular formal measure capable only of discrediting the idea of the establishment of civic peace in Russia achieved by society through suffering.

Unfortunately, the proposals by the plenipotentiary delegation of the State Duma to conduct negotiations on the concretization of the draft agreement were ignored. Serious work was replaced by the initiative of several enthusiasts, who did not possess the necessary powers to organize the coordination of the positions of the parties on key directions in socioeconomic policy. As a result, the text of the agreement could not be filled with a concrete content. Yet extracting the country from the growing socioeconomic disaster is the central element in public accord, for the sake of which the parties agree to combine efforts, curbing their own ambitions and claims.

The document submitted for public discussion differs in this fundamentally from the Moncloa Pact widely used as a historical guideline, which resembles much more a program for concrete anticrisis actions than a political declaration. It is worth quoting here the first lines of the

preliminary agreements adopted on 9 October 1977, with which the package of documents known to us as the Moncloa Pact opens:

"1. In the Moncloa Palace on 8 and 9 October representatives of various parties, which have their deputies in the parliament, conducted a meeting with the president and government members for the purpose of examining the first point on the agenda: the program for improving and reforming the economy. There was a wide discussion of the aims, means, and measures envisaged by this program. At the same time, representatives of political parties set forth both the differences existing among them and points of contact.

"2. The assessment of the economic situation, which those present defined as difficult owing to the time coincidence of various crises, became the first matter, where mutual understanding was achieved. In the opinion of the participants in the conference, the unanimity of views on this matter should serve as the basis for the adoption of measures, which under conditions of the market economy are needed to improve and reform economic activity for the purpose of overcoming the crisis and lending a new impetus to the economy.

"3. Another matter, on which accord was achieved, consisted in the need to uniformly distribute the burden of the crisis among various social groups, as well as in the demand for efficient democratization of the political and economic system as the condition necessary for the acceptance of reform by all of society.

"4. All the political parties that participated in the conference expressed their agreement with the government about the need to adopt a number of primarily short-term measures in the area of monetary circulation, finances, and employment, which would make it possible to stabilize Spain's economy in basic indicators within 2 years..."

In Russia's present situation it is also possible to coordinate the aims of socioeconomic policy and to develop a program of measures for their realization, which would receive the support of the most influential political forces—if there were a desire. There is already the first serious result—basic directions in domestic and foreign policy proposed by the president in the message to the Federal Assembly received the support of the State Duma. Of course, their concretization in the program of measures requires serious and difficult work. Therefore, the question is: Who will perform this work?

Two months ago in the recommendations of parliamentary hearings "On the Economic Situation in the Country and Legislative Support for Anticrisis Policy and Economic Reform" it was proposed that within a 3-week period the government develop a plan of measures to overcome the economic crisis. A month ago the president's message "On Strengthening the Russian State" was approved by the decree of the State Duma, which suggested that in the shortest period the government develop a plan of measures to overcome the

socioeconomic crisis in the country. Several events, which simplified this task, occurred simultaneously: the adoption by the State Duma of the Memorandum on Accord and the president's initiative in the signing of the Agreement on the Achievement of Civic Accord. The work of "round tables" on the concretization of basic directions in domestic and foreign policy began.

However, the program for anticrisis measures did not and does not exist. Moreover, the draft of the federal budget was drawn up as though there were neither elections on 12 December nor the president's message setting a new course in economic policy. In particular, in the priorities of structural policy indicated in the president's message the draft of the 1994 federal budget provides financing for only two ones—the fuel and energy complex (which accounts for more than one-half of the expenditures provided in the budget and in extrabudgetary funds for the financing of the national economy and attraction of foreign credits) and, to a much lesser degree, the agro-industrial complex. State support is hardly provided for the conversion of the defense industry, which is needed not only for the retention of work places and production capacities in science-intensive industry, but is also the condition necessary for a successful modernization of the country's entire production apparatus and for the renewal of economic growth. Budget appropriations are not allocated in a sufficient volume for the realization of federal goal-oriented programs, which should ensure the initiation of progressive structural changes in the economy. Science and education, which determine our development in the future, are doomed to further degradation.

On the basis of an analysis of draft budget indicators and according to the results of parliamentary hearings "On Structural and Scientific-Technical Policy in 1994-1995 and Until the Year 2000" the Committee on Economic Policy of the State Duma drew a conclusion on noncorrespondence of the structure of planned budget expenditures to the priorities of structural policy formulated in the president's message to the Federal Assembly.

The same also concerns another key point of the president's message—inadmissibility of a decline in basic social indicators. Basic social guarantees are not ensured materially or organizationally. The draft budget envisages neither an active policy of assistance for the unemployed, nor an efficient protection of mother and child, nor the maintenance of an acceptable level of education and public health services.

For the third year we are moving in the vicious circle of declining reproduction. The process of destruction of the country's production potential expanding around the interconnection—reduction in production—decline in budget revenues—reduction in budget expenditures, primarily for purposes of development—further decline in production—and so forth has gained strength. The policy—pursued at the same time—of passive adaptation to the economic slump oriented toward the balancing of the

budget deficit and the accomplishment of the ideological task of destroying the state sector of the economy only aggravates the situation.

In order to get out of the formed vicious circle of declining reproduction and policy of passive adaptation, it is necessary to change over to active purposeful actions according to sufficiently obvious directions in overcoming the crisis.

1. Introduction of order in the system of state finances. It is impossible to implement any intelligent policy under conditions when the state is the biggest nonpayer and unreliable economic partner. The practice of an arbitrary sequestration of state expenditures, which provokes the deepening of the nonpayment crisis, strengthening of the chaos in the economy, and destruction of the social sphere, must be eliminated. Of course, this will demand a sharp rise in the responsibility and quality of work by the staff of appropriate state departments and its personnel reinforcement. Measures to improve the reliability of the revenue part of the budget must be adopted simultaneously. These measures include not only the strengthening of tax discipline and the abolition of illegal privileges concerning taxation and foreign economic activity, but also an increase in the reliability of the planning of budget expenditures, improvement in the efficiency of budget expenditures, regulation of the money and credit sphere, and activation of nontax sources of state revenues.

Among the latter the most significant reserves are contained in the use of rent payments from the exploitation of natural resources, in the attraction of revenues from the use and privatization of state property, and in the regulation of credit emission. Revenues from the servicing of credits previously issued by the state and their repayment are highly substantial and at present uncontrolled. The vast profit from the 1992-1993 credit emission is spread between privileged bank and trade structures and stimulates production activity only to a negligible degree.

2. The introduction of order in the system of management of state property. The uncontrolled use of state property, while the state experiences an acute shortage of funds and is forced to lower expenditures on the financing of urgent social needs, is a paradoxical fact. Nevertheless, the profit from an efficient use of state property is not even included in the sources of federal budget revenues and revenues from the privatization of state property form a negligibly small amount, which is hundreds of times smaller than the value of privatized property.

The need to establish a system of management of state property, which is generally accepted in all countries with a market economy, a system providing for responsibility for its efficient use, can hardly evoke doubts in any sensible person, irrespective of his political orientation. The mismanagement of state property and the lack of clear responsibility on the part of officials managing it are some of the basic sources of corruption and chaos in

the economy. Nevertheless, the extremely ideologized and absurd policy of a spontaneous, almost free, distribution of state property continues. It gives rise to numerous offenses and does not promote an increase in production efficiency.

3. The most rapid transition from the present ideologized model of privatization to a pragmatic one. Privatization should lead to an increase in production efficiency and bring income to the treasury. For this state property should be sold to those that are capable of giving the highest price and are able to ensure an inflow of capital, long-term profitable development of enterprises, and preservation and increase of work places. Appropriate methods of privatization are well known in world practice and are used in all countries except ours.

4. Combination of bank capital with industrial one. As a result of the insufficiently considered price liberalization, chaotic reorganization of the banking system, and "voucher" privatization, a serious barrier arose between financial and production sectors of the economy. A paradoxical situation was created, where with the most acute shortage of financing of production enterprises and catastrophic reduction in investments in the economy there is a vast amount of free money taken abroad, circulating in speculative operations, and even reserved in the Central Bank.

In order to overcome this barrier, it is necessary to pursue an active policy of integration of banking and production capital in the form of various financial and industrial groups and of stimulation of production investments—both through tax privileges and through direct state participation in the form of share crediting and the granting of guarantees for private investments in priority directions.

5. Reforming of the tax system, which must become simpler, more reliable, and more efficient. The statement about the need to lower the tax burden and to exempt income assigned for purposes of production development from taxation has become a platitude. The possibility of doing this, compensating for the reduction in budget revenues by an increase in proceeds from rent payments and the use of state property, is also obvious. In reality, however, everything occurs the other way round—rent income and income from the use of state property are appropriated by privileged commercial structures and the relentlessly decreasing tax proceeds are compensated by the introduction of new quasi-tax payments and intensification of the tax burden.

6. Active structural, industrial, and scientific and technical policy of stimulation of the growth of promising industries and of modernization and reorganization of enterprises with worn-out and obsolete equipment. Under our conditions of deep-seated structural disproportions, which are caused by the technological multistructural nature of the economy and the orientation of its science-intensive sector toward the production of military equipment, the adaptation of enterprises to the requirements

of the market economy and consumer demand is impossible without the attraction of serious investments and the development of a long-term strategy. Neither occurs by itself as a result of the action of forces of market self-organization. Without an appropriate state policy of support for the adaptation of science-intensive sectors of industry to the demands of the market economy its rapid destruction and deindustrialization of the national economy are inevitable. In fact, this process is already gaining strength—a sharp reduction in state and consumer demand in the absence of an active investment policy today has led to a rapid increase in costs and to a reduction in the competitiveness of science-intensive industries. The repeated reduction in state purchases is aggravated by the decline in the production of civilian products, which, in turn, causes an even bigger rise in the costs of products and a further intensification of the decline in production.

Today the decline in production in science-intensive sectors of industry greatly exceeds 50 percent and continues to grow, passing into the phase of an irreversible destruction of the country's scientific and industrial potential. If existing tendencies remain, by the end of the year it is possible to expect an irrevocable loss of hundreds of promising, new technologies, break-up of labor collectives, and physical destruction of many advanced technologies and production capacities.

7. Concentration of social expenditures on direct support for very needy population groups and investments in "human capital"—training and education of the rising generation, retraining of dismissed personnel, and settlement of migrants with a simultaneous reforming of the system of pension and medical security on the basis of individual and collective insurance.

The presently implemented economic policy evolves in the opposite direction: Ever fewer funds are being invested in "human capital" with a rise in the relative share of unproductive expenditures on the financing of the current consumption of the nonworking population. The continuation of such a policy under conditions of the decreasing revenue base of the budget and increase in the share of the unemployed population will signify an increase in taxation on labor expenditures with the lowering of the quality and productivity of labor and, ultimately, the most rapid further reduction in the competitiveness of the domestic economy.

8. Debureaucratization of the state regulation of the economy. It must be ensured through strict observance of stable legislation setting the rules of economic relations and access to resources, not by administrative-distributive methods. Bureaucratic obstacles to the access of new firms to the market must be eliminated maximally and favorable conditions for the establishment and development of new enterprises in various fields of activity must be created. These conditions must include an access to sources of capital, to free production capacities, to sales markets, to the transport and information infrastructure, and to the necessary natural

resources. For now all this fully depends on the will of state bodies of executive power, which are more engaged in extortion and the planting of administrative arbitrariness than in the creation of conditions for the development of entrepreneurship and competition.

9. Subordination of the regulation of foreign economic activity to the interests of development of domestic production. The set of tools is well known here—currency control, stimulation of the domestic export of goods of a high degree of processing, protection of the domestic market against the threats of unscrupulous foreign competition by means of measures of tariff and nontariff regulation, stimulation of advanced structures by means of a corresponding differentiation of customs tariff, and so forth.

Today the steps taken in this area are obviously insufficient and not thought through. To this day currency control has not begun to operate, customs tariff is formulated under the strong effect of political market factors, and the interests of the national industry are not reflected in the foreign economic policy being implemented.

Only some directions in economic policy, the obvious need for which does not evoke doubts among the overwhelming part of political forces, are enumerated above. The purposeful implementation of these directions can ensure a rapid positive breakthrough in the development of the economic situation and receive extensive political support. A corresponding program of measures could fill the socioeconomic section of the agreement on the achievement of civil accord in Russia with a concrete content, also forming the basic subject of the agreement, for the sake of which the contracting parties would agree to a voluntary limitation of political activity.

Unfortunately, hardly any active steps in any of the directions enumerated above are being taken. The economic policy being realized proceeds from the thesis that the crisis will be overcome by itself, as soon as inflation is brought down to a sufficiently low level. In order to bring inflation down, it is considered sufficient to minimize the budget deficit and credit emission. And then, perhaps, something will turn up.

The hopelessness of such a policy is clearly demonstrated by the practical experience of the last 2 years. In fact, it serves as a justification for the inactivity of the government, which prefers passive adaptation to the political situation instead of an active anticrisis policy, finding activities connected with the endless division of the dwindling budget pie, allocation of credit emission, and distribution of state property quite comforting and attractive.

In fact, helplessness, inactivity, and embezzlement of state property hide behind the pseudoliberal rhetoric. Today it is quite evident that, without the strengthening of state responsibility for all directions in economic policy, it will not be possible to overcome the decline in production or the galloping inflation. The suppression of

the latter is possible only as a result of the implementation of the directions in economic policy enumerated above with the observance of obvious limitations on the growth of credit emission and the amount of the budget deficit. Conversely, as experience shows, keeping the latter within acceptable limits is impossible without an active economic policy in the many directions partially enumerated above. The suppression of inflation and macroeconomic stabilization can become only the result of an active structural, institutional, investment, social, and other components of economic policy, not the prerequisite, as advocates of the theory "everything is formed by itself" believe.

Today as never before during the postwar history the country needs a responsible and competent government capable of pursuing an active and purposeful policy in national interests and leaning on the wide support of the public. The coincidence of the basic directions in domestic and foreign policy with program propositions of the constructive opposition proclaimed by the president makes it possible to form a wide coalition of political forces in the support of a sound economic policy and of the government realizing it. It is vitally important to realize this possibility, filling the agreement on civil accord in Russia, which is being prepared, with a concrete economic content.

Government Budget Change To Affect Chernobyl's Victims

944E0781A Moscow OBRASHCHAYAYA GAZETA
in Russian No 17, 29 Apr 94 p 1

[Article by Nikolay Troitskiy: "It Was Decided To Save on 'Enemies of the People'"]

[Text] Having persuaded the Duma to approve the annual budget "in the main," the government brought itself to familiarize deputies with some details, which they did not surmise.

A few days ago the head of the cabinet appealed to the Duma to urgently adopt the law "On Changing, Suspending, and Nullifying Some Legislative Acts." It is proposed that the operation of a number of articles of 14 laws and 5 decrees adopted by the Supreme Soviet, which establish numerous privileges and monetary compensations for various categories of individuals, that is, tax police workers, judges, procurators, donors, athletes, servicemen, Chernobyl residents, victims of illegal repressions, and so forth, be abolished "for the period until the deficit level reaches 5 percent." For the purpose of saving budget funds, the government proposes that those that suffered from the Chernobyl accident be squeezed "with respect to the receipt of an interest-free loan" and the pardoned "enemies of the people" be deprived of the "right to free passage on railroad and city transport and the right to a 50-percent reduction in the amounts of payment for living space and municipal services."

According to the prime minister's estimates, by abolishing the indicated privileges and compensations, the state will save 90 trillion rubles, which will greatly improve the financial situation. Warding off possible suspicions of a negative attitude toward the acts of the former parliament, the cabinet of ministers also abolishes 37 of its own decrees, denying tax indulgences and subsidies to a number of sectors, subjects of the Federation, and mass information media. Moreover, the government proposed that 12 presidential edicts, in which the head of the state promised much to various citizens, sectors, and regions, be abolished.

Although the prime minister did not spare the pride of both branches of power, his proposals irritated many Duma members. Vladimir Isakov announced that "responsibility for the nonfulfillment of Yeltsin's high-sounding promises made on the eve of the elections and the referendum on the Constitution is shifted to the Duma." Fractions of communists and agrarians became indignant and decided not to support such an "anti-popular" budget. Nikolay Petrakov, a Yabloko member, called all this a "farce." Most of all, parliament members were offended by the fact that, apparently, the government had already excluded from the draft budget all the expenditures specified by documents, which were still to be abolished. The Duma, discussing and approving the budget "in the main," naturally, did not know the above.

The Explanatory Note on Expenditures on the Maintenance of Bodies of Power also surprised deputies. In all, a little over 7 trillion rubles are to be spent on this matter. Out of this sum 154.6 billion are allocated to the Federal Assembly. The parliament values itself slightly more, in connection with which the government note states: "According to the data of the Administration of Affairs of the Russian Federation President, the implementation of the Law on the Status of a Deputy will additionally require 172.8 billion rubles," a sum which the government did not take into account in the draft budget, because appropriate calculations were late. This explanation did not comfort deputies at all. Moreover, they noted with malicious pleasure that the president's Administration of Affairs managed to assign all 400 billion rubles for its own needs. Individual Duma members assume that expenditures on one department of the president's administration cannot exceed twofold expenditures on both chambers of the federal parliament.

Be that as it may, new circumstances, which have become known after the official introduction of the draft budget in the Duma, threaten to complicate the procedure of its approval. The process can drag out until the summer, or maybe until the fall. Next the rejection of the budget by the Federation Council and even a presidential "veto" are possible, if deputies do not take all government wishes into account. However, this will only be good for executive power: All these months the government will live according to a budget, which it "approved" for itself. At the end of the year it is too late and pointless to rectify or refine anything.

Russian Business Elite Detailed

List of Most Influential Entrepreneurs

944E0766A Moscow NEZAVISIMAYA GAZETA
in Russian 26 Apr 94 pp 1-2

[Report by Vitaliy Tretyakov: "The Elite of Russian Business: The Money and Power of the Country's 50 Most Influential Entrepreneurs: Financial Magnates Predominate"]

[Text] The success of the monthly survey by NG-VP [NEZAVISIMAYA GAZETA-"Vox Populi"] of "the 100 leading politicians in Russia" which has been held for the past year and a half and has become not only a fact of political science, but a factor in Russian politics itself, has moved NEZAVISIMAYA GAZETA to extend the survey program to the country's elite groups. Unquestionably the next ones after politicians should be the entrepreneurs, businessmen, and owners of the largest fortunes. Especially as some of them who are not politicians in the true sense of this word have started to "infiltrate" the "100 politicians" listing (incidentally, the problem for the sociologists with whom NEZAVISIMAYA GAZETA is working is how to take them out of this listing now without altering the validity of the survey).

At the beginning of 1994, we decided to compile a list of the 50 most powerful—and hence most influential—figures in Russian business.

As with the "100 politicians" listing, the new survey was conducted in accordance with NEZAVISIMAYA GAZETA's idea and order and with its firsthand participation. At the same time, taking into account the specific nature of this survey, the Economic News Agency (AEN) headed by Sergey Turanov was added to our traditional partner, the Service for Studying Public Opinion of Professor Boris Grushin, "Voz Populi."

Inasmuch as the dynamics of personnel changes in business are much more significant than in politics, the new survey will be conducted once every 3 months (with the results for the year summed up later on).

Of course, there is a very clear-cut synthetic indicator of the economic power, and consequently influence (including political influence) of one entrepreneur or another—the amount of money or property which he owns, has at his disposal, or controls. Today no one can determine these figures precisely, although attempts are being undertaken. For this reason, it was decided to make our new survey one by experts, as with the "100 politicians" rating. During the first stages of the survey, incidentally, the list of experts will be changed and refined so that we can limit the subjectivism of assessments associated primarily with the absence of experts with accurate information and those who are influenced by the advertised "propaganda" in which numerous entrepreneurs are actively engaged.

Number	Name	Firm	Average Rating
1.	Gusinskiy, V.A.	"Most" Financial Group	7.48
2.	Vinogradov, V.V.	Inkombank	7.34
3.	Khodorkovskiy, M.B.	"Menatep"	6.96
4.	Smolenskiy, A.I.	"Stolichnyy" Bank	6.94
5.	Neverov, V.I.	"Germe"	6.92
6.	Yakovlev, V.Ye.	"Kommersant" AO [Joint-Stock Company]	6.62
7-8.	Agapov, Yu.V.	Kredobank	6.60
7-8.	Boyko, O.V.	"Olbi"	6.60
9.	Fedorov, S.N.	"Mikrokhirurgiya Glaza" MNTK [Interbranch Scientific-Technical Complex]	6.30
10.	Bekh, N.I.	KamAZ [Kama Automotive Plant]	6.26
11.	Kadannikov, V.V.	AvtoVAZ [Volga Automotive Plant]	6.06
12.	Yakunin, V.K.	Tokobank	5.80
13.	Nevzlin, L.V.	"Menatep"	5.58
14.	Masarskiy, M.V.	"Rossiyskoye Zoloto" AO	5.52
15.	Bukato, V.I.	Mosbiznesbank	5.42
16.	Malkin, V.V.	"Rossiyskiy Kredit" Bank	5.38
17.	Borovoy, K.N.	Russian Commodities and Raw Material Exchange	5.34
18-19.	Zakharov, A.V.	Moscow Interbank Currency Exchange	5.32
18-19	Milyukov, Yu.A.	Moscow Commodities Exchange	5.32
20.	Nakhmanovich, I.A.	AvtoVAZbank	5.30

Number	Name	Firm	Average Rating
21.	Dubenetskiy, Ya.N.	Promstroybank [Industrial Construction Bank]	5.22
22.	Duvanov, G.V.	ASKO	5.06
23.	Kivelidi, I.Kh.	Vneshekonmkooperatsiya	5.02
24-25.	Antonov, I.V.	Unikombank	4.98
24-25.	Rappoport, A.N.	Alfa-Bank	4.98
26-27.	Vlasov, A.F.	Russian Commodities and Raw Material Exchange	4.72
26-27.	Tosunyan, G.A.	Tekhnobank	4.72
28.	Chanov, A.K.	"Krosna"	4.62
29.	Salamandra, V.L.	"National Credit" Bank	4.56
30-31.	Bendukidze, K.A.	NIPEK	4.50
30-31.	Soldatov, V.V.	All-Russian Exchange Bank	4.50
32.	Tumanov, V.I.	Tumanov and "K"	4.44
33.	Sudakov, V.V.	Moscow International Bank	4.34
34.	Okhlopkov, V.	"Delovaya Rossiya" Bank	4.18
35.	Kashirskiy, A.V.	Mytishchi Commercial Bank	4.10
36.	Soldatov, A.V.	RELKOM	4.08
37.	Kantor, O.I.	"Yugorskiy" Bank	4.06
38.	Korotkov, P.A.	Russian National Commercial Bank	4.04
39.	Kadyrov, R.F.	"Vostok" Bank	3.90
40.	Baskin, I.M.	"Garant"	3.86
41.	Surkov, V.Yu.	"Menatep"	3.80
42.	Lyubashevskiy, Yu.Ya.	"Dyagilev-Tsentr"	3.70
43.	Safaryan, I.A.	Brokinvestservis	3.68
44-45.	Zhuk, G.V.	Neftekhimbank	3.66
44-45.	Fegisov, A.A.	First Checking Investment Fund	3.66
46-47.	Vulfov, A.V.	"S.I. Realty"	3.62
46-47.	Keselman, V.G.	"Germes"	3.62
48.	Guchnik, V.K.	Orgbank	3.56
49-50.	Zakharov, A.N.	Moscow International Stock Exchange	3.54
49-50.	Pankin, V.V.	Moscow Central Stock Exchange	3.54

Kinsburskiy, Turanov Commentary

944E0766B Moscow NEZAVISIMAYA GAZETA
in Russian 26 Apr 94 pp 1-2

[Commentaries by Aleksandr Kinsburskiy of "Vox Populi" and Sergey Turanov of the Economic News Agency]

[Text]

[Kinsburskiy comment:] The VP-AEN Service, in accordance with NEZAVISIMAYA GAZETA's order and with its participation, begins its quarterly determination of the 50 leading and most successful Russian businessmen, indicating their ranking (from 1 to 50) and the average rating which establishes each one's "economic weight."

A preliminary list of 100 names included the managers (as of 15 April) of the largest commercial organizations—banks, exchanges, funds, joint-stock companies, trading houses, insurance companies, joint ventures, and so forth.

The extent of these entrepreneurs' influence was determined by 50 experts—economics commentators of the leading mass media, economists and analysts from scientific and information centers, the managers of public economic organizations, and analysts from a number of commercial structures. A 10-point scale, where "10" is the maximum and "1" is the minimum evaluation of each businessman, was used, taking into account their contribution to the buildup of Russia's new market economy and economic power, and the amount of capital under each one's control. A list of 50 leading Russian businessmen was compiled, based on their average rating, in April 1994.

In analyzing the published list of leading Russian businessmen, it should be taken into account that among the 100 "contenders" suggested for the experts' evaluation there were mainly managers of the so-called new economic subjects. In other words, in conformity with the intention of the survey, managers in the state sector were not included in the preliminary list; nevertheless, they continue to exert considerable influence in the formation of Russia's new economy and they have vast material and financial resources at their disposal. For this reason, primarily representatives of banking and financial circles, as well as trading and middleman capital, took part in the "economic Olympics." Managers of enterprises that could be included in the "production" category, such as S. Fedorov (9), N. Bekh (10), V. Kadannikov (11), and others, make up no more than 15 to 20 percent of the list.

At the very top of the "pyramid"—the first four places—are financiers and bankers. But on the whole, representatives of financial capital make up more than half of the most successful businessmen. About one-third are stockbrokers and contemporary traders.

Not all the experts were able to evaluate the economic role of each person. In this connection, it is interesting to note that V. Gusinskiy not only headed the list of leading Russian entrepreneurs, but he was the only one to receive an evaluation by the 50 experts—a unique case. The economic power of other businessmen was determined with difficulty by one to 18 persons: V. Vinogradov, M. Khodorkovskiy, V. Neverov, S. Fedorov, and K. Borovoy by one person and V. Guchnik by 18 persons. It follows from this that the role of those named above in building up the Russian market is quite well-known.

[Turanov comment:] Rating Russian businessmen is a very difficult task because of the lack of reliable information on their incomes and the financial status of the firms they head. The opinion of experts obviously was based mainly on the image of the entrepreneurs and facts about the enterprises' activity reported in the mass media, as well as on "lobby" information. Nevertheless, the experts were equal to the task: in my opinion, the results of the survey accurately reflect the rating of the elite of Russian businessmen, both by personnel and by firms.

The pattern of "elite" enterprises is completely in keeping with the boom in banking activity in Russia—over half of the leading businessmen are managers of major banks. Because of the lack of development of the commodity futures market and stock markets, just two commodity exchanges (the MTV of Yu. Milyukov and the RTSB [Russian Commodity and Raw Materials Exchange] of K. Borovoy and A. Vlasov) and two stock exchanges (the MMFB [Moscow International Stock Exchange] of A. Zakharov and the MTsFB [Moscow Central Stock Exchange] of B. Pankin) made the list. The number of stockbrokers in the next list may be even

smaller—K. Borovoy is now engaged in the sale of commercial projects in the "Molniya" NPO [scientific production association].

Aside from banks, exchanges, and production, trading, and diversified enterprises, the list also includes an insurance company (ASKO, G. Duvanov), a telecommunications firm (RELKOM, A. Soldatov), and an investment fund (A. Fetisov), as well as firms engaged in the art business (the Dyagilev-Tsentr of Yu. Lyubashevskiy), firms working in the financial markets (Brokinvestservis, I Safaryan), and real estate (S.I. Realty, A. Vulfov). Managers of the major auditing and advertising firms did not make the list, although several candidates were suggested for the experts' attention.

The three "whales" of Russian business were represented by several persons—"Menatep" (M. Khodorkovskiy, L. Nevzlin, and V. Surkov), "Germes" (V. Neverov and G. Keselman), and the RTSB. They and the overwhelming majority of leading entrepreneurs are in business in Moscow. Other cities are represented by six individuals (N. Bekh of "KamAZ," V. Kadannikov of "AvtoVAZ," I. Nakhmanovich of "AvtoVAZbank," O. Kantor of the "Yugorskiy" Bank, I. Baskin of "Garant," and R. Kadyrov of the "Vostok" Bank, although persons who were not Muscovites made up roughly 20 percent of those in the initial list. Such a low evaluation of regional business is evidently objective and traditionally associated with the concentration of financial and production capacities in the capital.

It may be noted that the overwhelming majority of leading businessmen, including leaders in the list, are not investing large sums in building up their own image. It is acquired by the large advertising campaigns mounted by firms headed by them.

The published list indicates the current rating. An analysis of its dynamics will be no less interesting. Evidently, there will be fewer average changes in the businessmen's rating than the politicians' rating. They may be linked with the startup of important projects and major advertising campaigns.

NEZAVISIMAYA GAZETA Experts

944E0766C Moscow NEZAVISIMAYA GAZETA
in Russian 26 Apr 94 pp 1-2

[Listing of experts from the mass media and other areas]

[Text]

Economics Commentators from SMI [the mass media]:

Andreyev, V.G. (EKONOMIKA I ZHIZN newspaper), Berger, M.L. (IZVESTIYA), Biryukov, V.O. (DELOVYYE LYUDI magazine), Vedeov, A.L. (the "Vedi" Publishing Group), Vikhrov, A.N. (the weekly MERKURIY), Gorlenko, V.F. (TRUD), Gurevich, V.S.

(MOSKOVSKIYE NOVOSTI), Zasurskiy, I.I. (NEZAVISIMAYA GAZETA), Karpov, S.R. (Russian Commercial Information Agency), Kirichenko, N. (KOMMERSANT-DAILY), Kirpichnikov, Yu.A. (DELOVOY MIR newspaper), Klimenko, I.F. (MOSKOVSKIYE NOVOSTI), Kovachich, A.Yu. ("Vedi" Publishing Group), Kondratyev, A.Yu. (KOMMERSANT-DAILY), Kopyshita, Ye.I. (KURANTY), Krasnyanskiy, E.V. (TORGOVAYA GAZETA), Mitin, S.I. (FINANSOVYYE IZVESTIYA), Narzikulov, R. (SEGODNYA newspaper), Proshutinskiy, A. ("Broker" television program), Smirnov, A. ("Broker" television program), and Urazbayev, N.U. ("Open Radio").

Economics Analysts:

Butrimenko, L.V. (International Center for Scientific and Technical Information), Kreynin, I.A. (AEN [Economic News Agency]), Sidorov, A.D. (AEN), Turanov, S.A. (AEN), Yakovlev, A.A. (Higher Economics School), and Yasin, Ye.G. (RSPP [Russian Union of Industrialists and Entrepreneurs] Expert Institute).

Political and Public Figures:

Gubernatorov, V.A. (Chamber of Trade and Industry), Dorosehko, R.A. (International Corporation for Assistance to the New Economy), Makarevich, L.N. (Association of Russian Banks), Pimoshenko, Yu.P. (Union of Innovative Enterprises), Shpigel, L.T. (Economic Freedom Party), and others.

Businessmen and Entrepreneurs:

Andrianov, V.I. (Tepkobank), Androsov, A.M. ("Menatep" Bank), Anoshko, N.A. ("Tsentrkredit" Bank), Ashurbeyli, I.R. (International Bureau of Information and Telecommunications), Batayev, V.V. (Brokinvestservis), Vetrov, A.Yu. (Tepkobank), Zatselyapina, M.A. ("Imperial" Bank), Ioffe, A.D. (Small Business Assistance Association), Kaluzhskiy, A.V. (Sovfin-treyd), Laptev, S.Yu. (Moscow Commodities Exchange), Levchenko, A.P. ("Inzhener"), Rodomanov, S.I. ("Vest" International Association), Rozov, P.Yu. (Metals Exchange), Senatorov, M.Yu. ("Information Technologies"), Shulyatyeva, N.A. (Russian Union of Small Enterprises), and others.

Decree on Excise Duty for Alcohol, Tobacco Introduced

944E0772A Moscow ROSSIYSKAYA GAZETA
in Russian 20 Apr 94 p 4

[Decree No 319 dated 14 April 1994 of the Government of the Russian Federation, Moscow "On the Introduction of Excise Duty Marks on the Territory of the Russian Federation"]

[Text] For the purpose of ensuring a full collection of excises and preventing an illegal import of goods subject

to excise duty and their sale on the territory of the Russian Federation, the Government of the Russian Federation decrees:

1. To establish the procedure for the collection of excises in the form of sale of excise duty marks of the established model. To introduce mandatory marking on beverage alcohol, wine and vodka products, tobacco, and tobacco products.

To establish that enterprises producing and importing the indicated goods are responsible for the marking of goods subject to excise duty.

2. To introduce the established procedure for the payment of excises:

—on tobacco and tobacco products during import into the territory of the Russian Federation as of 1 July 1994;

—on tobacco and tobacco products of domestic production as of 1 July 1994;

—on beverage alcohol and wine and vodka products during import into the territory of the Russian Federation as of 1 August 1994.

3. The State Inspectorate for Ensuring State Monopoly of Alcohol Products under the Government of the Russian Federation and the Russian Federation State Tax Service within a 1-month period shall submit proposals for setting the dates for the introduction of marks of excise duty on beverage alcohol and wine and vodka products of domestic production.

4. To introduce marking with a special mark confirming the legality of import and of the right to sell on the territory of the Russian Federation of the above-mentioned goods subject to excise duty, which are produced and imported from the territory of member states of the Commonwealth of Independent States and the Moldova Republic.

The Russian Federation Ministry for Cooperation With Member States of the Commonwealth of Independent States shall inform Commonwealth member states of the introduction of the marking of goods subject to excise duty on the territory of the Russian Federation.

5. As of 1 January 1995 to prohibit the sale of goods subject to marking on the territory of the Russian Federation without the presence of excise duty marks on them.

6. The Russian Federation Ministry of Finance, the Russian Federation State Tax Service, the Russian Federation State Customs Committee, and the Russian Federation Department of Tax Police within a 1-month period shall submit proposals for making changes in existing legislation providing for administrative and criminal responsibility for the violation of the rules of import and sale of goods subject to excise duty and marking on the territory of the Russian Federation.

7. The Russian Federation State Customs Committee and the Russian Federation State Tax Service, in coordination with the Russian Federation Ministry of Finance, shall develop the procedure for the marking of goods subject to excise duty during import into the territory of the Russian Federation.

The Russian Federation State Customs Committee shall determine the list of goods imported into the territory of the Russian Federation and subject to marking in accordance with the codes of the commodity nomenclature of foreign economic activity.

The Russian Federation State Tax Service and the Russian Federation Ministry of Finance shall make appropriate changes in the Instruction on the Procedure for the Calculation and Payment of Excises of the Russian Federation State Tax Service.

8. The Russian Federation Ministry of Finance and the Russian Federation State Customs Committee shall establish models of excise duty marks and rules of their application.

9. To entrust the Goznak Association with the manufacture of excise duty marks.

10. The Russian Federation Ministry for Cooperation With Member States of the Commonwealth of Independent States, the Russian Federation Ministry of Economics, the Russian Federation Ministry of Foreign Economic Relations, and the State Inspectorate for Ensuring State Monopoly of Alcohol Products under the Government of the Russian Federation within a 3-month period shall conduct negotiations with Commonwealth member states on the introduction of quotas for the import into the territory of the Russian Federation of alcohol and tobacco products produced and imported from CIS countries and the Moldova Republic.

11. The Russian Federation Ministry of Finance, jointly with the Russian Federation Ministry of Labor, on the recommendation of the Russian Federation State Customs Committee, the Russian Federation State Tax Service, and the Russian Federation Department of Tax Police within a 1-month period shall submit proposals for an increase in the authorized strength of customs and tax service bodies and proposals on sources of financing of expenditures connected with the introduction of the system of the marking of goods subject to excise duty.

[Signed] V. Chernomyrdin, chairman of the Government of the Russian Federation

Peasant Farming Efforts Continue Despite Financing, Credit Problems

944K1196A Moscow FINANSOVYYE IZVESTIYA in Russian No 15, 14-20 Apr 94 p iii

[Results of a 3-year analysis of farming sector development by Olga Melyukhina of AGROKHLEB RIPORT,

commissioned by FINANSOVYYE IZVESTIYA: "Russia's Peasant Farms Are at a Financial Impasse"]

[Text] *With the overall recession in agriculture, production is being expanded in the farming sector. And this is despite the fact that the credit noose is forcing many farmers to abandon the work they started. Since 1 November 1993, punitive sanctions of up to 420 percent have been introduced for failure to repay credits issued at the expense of centralized resources.*

At the very beginning of the agrarian reform, one of the key ideas was the formation of a fundamentally new type of agricultural enterprise—the peasant farm. A small peasant farm, managed by its owners and based on their labor, was to become an alternative to large-scale production and the epicenter of reform for the sector.

The Law "On the Peasant Farm" became one of the first acts of the agrarian reform. It has been 3 years since the new social order was established by law, and today there are 270,000 peasant farms in Russia (See Table 1). Over these years, it appeared that farming's development repeated the dynamics of the agrarian reform itself. While 1991 may be called the year of the sudden start and 1992 the year of the rapid growth of the farming sector, 1993 saw a slowdown in the pace of forming new peasant farms. Moreover, the number of farms discontinuing their activity has begun to increase—as many disappeared in the last 3 months of 1993 alone as in all of 1992 (See Table 2).

Table 1. Number and Land Area of Peasant Farms in Russia (as of 1 January)

	1991	1992	1993
Number of peasant farms registered	49,000	102,000	270,000
Area of land plots granted to them, in millions of hectares	2.1	7.8	11.3
Average size of land plot, in hectares	42	43	42

Table 2. Number of Peasant Farms in Russia Which Were Formed and Discontinued Activity in 1992 and 1993

	Number of New Farms	Number of Farms Which Discontinued Activity	
		Altogether	For Each 100 Established During This Period
1992	138,900	5,100	4
1993	101,200	14,100	14
First quarter	49,500	2,500	5
Second quarter	31,600	3,300	10
Third quarter	10,500	3,300	31
Fourth quarter	9,600	5,000	52

This sad trend provided grounds for the skeptics to maintain right away that farming has exhausted the reserves for its development and that this social structure is not firmly grounded in our economy. However, the results of its development over 3 years attests to the fact that the contribution of peasant farms to overall agricultural production is increasing (See Table 3). While there is an overall recession in agriculture, production is expanding in the farming sector. For example, the production of grain, sugar beets, meat, and milk was roughly doubled and egg production increased by five times as much on peasant farms in the past year. Over the past year, which was extremely difficult for a sensitive sector such as livestock breeding, the number of basic types of livestock increased by 1.5 times as much on peasant farms, while it continued to decrease on collective farms. So it is at least premature to talk about reserves being exhausted in the farming sector.

Table 3. Proportion of Peasant Farms in Russian Agricultural Production (in Percent)

	1991	1992	1993
Grain (in weight after processing)	0.2	2.1	5.0
Sugar beets (industrial)	0.03	2.0	3.9
Sunflower seeds	0.4	5.8	10.0
Potatoes	0.2	0.8	1.0
Vegetables	0.2	0.8	1.0
Meat (live weight)	0.1	0.8	1.7
Milk	0.08	0.4	1.1
Eggs	0.00	0.05	0.2

It is doubtful that the slowdown in the formation of new peasant farms and the increase in the number of existing farms that are disappearing are related to natural inviability of the farm structure. This is its completely "healthy" reaction to the extreme conditions in agriculture at present. Maintaining production, and especially organizing new production, becomes more like a feat in such a situation.

The sorest point today is financial survival. For the peasant farms, this is primarily a problem of the availability and accessibility of loan capital. In 1993, short-term loans made up about 56 percent of the peasant farms' production expenditures, and long-term loans made up 58 percent of their capital investments. The granting of credit to the farms has depended almost entirely on state support. Centralized credit resources were provided for them at favorable interest rates and budget funds were allocated for credit guarantees.

However, the favorable conditions dwindled from year to year. According to data from the AKKOR [Association of Peasant Farms and Agricultural Cooperatives of Russia], one peasant farm received an average of 30,000 rubles [R] of loan capital in real terms in 1991, R4,500 in 1992, and just R1,000 in 1993. In this case, the credits

simply had to be won back. For example, in 1992 the farmers were able to obtain most of the centralized credits allocated for the year in December alone. It has become harder and harder to gain access to long-term loans. Over the past 3 years, the proportion of them in overall credit resources being allocated has been reduced, and no loans for construction were allocated in 1993 at all. The peasant farms' need for long-term loans in 1994 is estimated at R2.1 trillion. This is at a time when the government has planned to allocate R2.6 trillion for the entire agroindustrial complex. How much of this sum will actually be transferred and how much will go to the peasant farms?

There has also been considerable difficulty in providing credit on favorable terms. Banks were compensated very late for the difference between the favorable rate and the Central Bank's prime rate. As a result, the banks simply refused to grant loans on favorable terms or made up the difference at the farmers' expense. The decision was made in September 1993 to discontinue extending credit at favorable rates. While before this the peasant farms paid for the credits provided from centralized resources at the rate of 28 percent, this rate jumped up to 213 percent beginning in November 1993, and penalties of up to 420 percent were introduced for failure to pay back the amount owed. By this time, the number of newly established peasant farms fell to its lowest point, where it remained until the end of the year, and the number of farms falling apart began rising quickly.

After the extension of credit on favorable terms was abolished, the government promised to introduce alternative measures of support. In particular, farmers were to be granted the right to pay interest on loans received in 1992 and 1993 after the sale of their harvest. This deferment was ultimately granted, but it was extended only to a small proportion of the loans (about 10 to 20 percent), which could not alleviate the farmers' financial situation substantially.

Budget appropriations to form the charter capital for peasant farm banks and insurance companies were another measure in the federal program for supporting the peasant farms in 1993. They were planned in the amount of R6 billion last year, but as a result these funds were not allocated at all. Moreover, the peasant farm banks are now in a very difficult situation, since they have not been compensated from the budget for the difference in the interest for farmers' loans in 1994.

So the peasant farms find themselves in a situation today in which financing sources for development are simply becoming inaccessible, the interest on their debts is eating up current income, and state support is gradually being removed. There is no reason to believe that the situation will change in the foreseeable future, and we can expect the recession in the farm movement to continue.

Decline in Moscow's Foodstuff Production for March Seen

944E0750A Moscow *FINANSOVYE IZVESTIYA*
in Russian No 17, 21-27 Apr 94 p 11

[Article by Andrey Yakovlev, economist: "A Slump Has Begun in Moscow's Foodstuff Market"]

[Text] At the end of March, along with the traditional poll of private wholesale firms, the Institute of Organized Market Research and the Higher School of Economics polled, for the first time, the directors of state and privatized wholesale trade enterprises operating in the foodstuff market. The selection included meat and fish refrigeration plants, dairy combines, vegetable warehouses, firms trading in groceries, canned goods, wine and spirits items, etc. The results of the poll make it possible to draw a conclusion as to the essential differences in the evaluations of the current market situation made by representatives of the former state food trading enterprises and private firms.

The general deterioration in the situation in wholesale trade in foodstuffs in Moscow, which was observed in both sectors of the market, can be singled out as the main trend for the month. At the same time, while for private firms it was accompanied by a noticeable drop in trade turnover, estimates of the volume of sales in the past month made by the directors of state and privatized

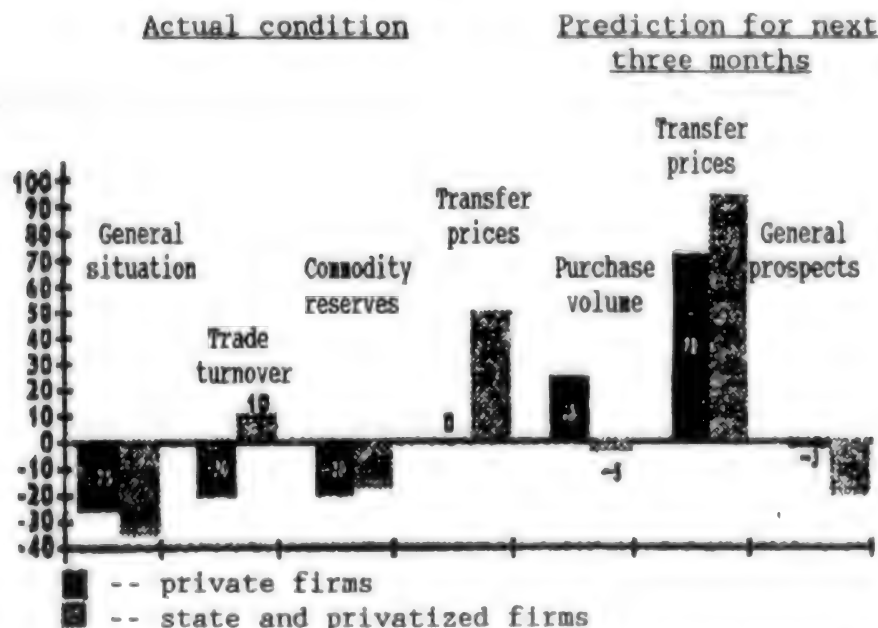
enterprises on the whole proved to be favorable. At the same time, the predictions and expectations of private wholesalers for the next quarter remained considerably higher.

The dynamics of the wholesale prices also differed. Twenty-six percent of the private wholesalers raised their prices in March, and the same number dropped them. As a result, on the whole for this sector of the market, a "zero" rise in prices was noted for the first time. Conversely, in the state sector, 50 percent of the firms polled raised their prices, and not a single one began lowering them. Higher inflationary expectations were also characteristic for state trade.

In our opinion, the difference in the estimates of the current market situation and the predictions made by respondents of INIOR [Institute of Organized Market Research] and VShE [Higher School of Economics] were caused, in the first place by the varied trade assortment. Food commodities in daily demand, as before, were to a considerable extent sold through the former state wholesale bases. It is obvious that, by virtue of the poor elasticity of demand, the drop in trade turnover here proves smaller, and the potentials for a further rise in prices—greater than for the commodity products list characteristic of private trade.

In the second place, the more flexible and quicker reaction of the private trade firms to an unfavorable

The Foodstuff Market Situation in Moscow (according to estimates of trade firm directors)



Note: the graph shows the balance estimates of the market situation, calculated as the sum of the "improved" and "increased" answers given with the "+" sign [above the 0 on the vertical scale], and the "worsened" and "decreased" answers given with the "-" sign [below the 0 on the vertical scale].

change in the system of foreign economic regulation might play a certain role. According to the estimates of INIOR and VShE specialists, the forthcoming March introduction of new customs duties was reflected in the prices of Moscow private trade as far back as January-February. It is this (and not just the reserves accumulated) that made it possible for them to avoid raising prices in March. The state and privatized enterprises, on the contrary, follow the change in the foreign conditions of the functioning market in their price policy.

Activities of Crime 'Generals' Viewed

944F0631A Moscow PODMOSKOVYE in Russian
9 Apr 94 p 7

[Article by Nikolay Modestov: "'Generals' of the Crime World"]

[Text] [begin boxed item] "Listen, something has to be done. Last year Globe was shot, Arsen and Givi died... And how did this year begin? Bobon was killed—who, what for..."

"It is time to get together and think about what to do next. We cannot put up with this..."

—From a telephone conversation between Yaponchik, a crime boss, and Tayvanchik, an authority in the crime world, who now live abroad. (From Interpol radio intercept) [end boxed item]

Where Did You Get It? I Bought It!

Gray, pale-faced, in typical dirty pea jackets, the prisoners appear to be a monotonous mass only to the uninitiated. Special laws exist that are consistently and rigorously observed by everyone without exception in the "world behind prison bars." There is a unique hierarchy here, where everyone knows his place and value. The elite of the criminal world—the "crime bosses" ["vor v zakone"]—are at the very top in the rank of untouchable authorities who are considered the main custodians of criminal traditions and the "correct" way of life.

According to information of the USSR Ministry of Internal Affairs, the number of "crime bosses" ["vor"] on the territory of the former superpower was approaching 600. There are fewer in Russia today. It is difficult to name an exact figure—"crime bosses" ["zakonnik"] do not have a union, and militia employees use operational information and agent sources exclusively. The number of crime bosses from the Baltics to the shores of the Pacific Ocean is numbered at about 200 today. The drop in the number of "generals" in the crime world is explained not only by the collapse of the Union (some of the crime bosses live outside Russia) and their death (not always natural). Many, hiding from law enforcement organs after accumulating a considerable amount of capital, moved to the West happily, which however does not hinder them from carrying out their

main function—overseeing, managing, and performing the role of arbitration tribunal of the criminal brotherhood.

By far not everyone can become a crime boss. It is not enough to have the reputation of a "hard-boiled" person and a long "service record" under various articles of the Criminal Code. (Although a crime boss is obliged to have "walks"—that is, to spend time behind barbed wire.) The main thing is esteem and a respectful reputation among criminals, and the authority and ability to "resolve problems." According to unwritten rules, in the old days a crime boss did not have the right to create a family, under no circumstances was he supposed to work, and he was forbidden from engaging in hoarding money. He could satisfy any desire, taking money from the common fund—a kind of thieves' open account. Once, for observance of these canons, the crime bosses entered into a conflict with camp and prison administrations, and they even cut off their fingers so that they would not have to go to work. But in recent decades the traditions, while retaining the main ingredients, have experienced significant changes.

Today a crime boss is not obliged to be above making money. The crime bosses of the new "call-up," to the indignation of authorities inclined to nostalgic grumbling over the past, did not always spend a lot of time in a camp; in other words—they did not have the equivalent experience of camp life of the crime boss. But the main thing, in the opinion of informed operatives, is that the procedure of the "coronation" itself is already far from ideal. It is known, for example, that in recent years many wealthy representatives of the criminal Caucasus even bought prestigious ranks. (The Georgians, as the detectives think, especially transgressed in this way, receiving their countrymen for an appropriate payment to the criminal common fund.) Incidentally, the last circumstance partly explains the less respectful attitude toward the title of "crime boss" on the part of young people who have chosen "life outside the law."

Chocolate and Cognac—to the Cell

The arrival of a crime boss in the prison area or solitary confinement cell is known long before his appearance. The world's most reliable communications system operates between transit prisons. The esteemed guest is properly met—he is given the best place in the cell or barracks, he is assigned a special person—something in the nature of an orderly.

The administration of the camp also eagerly accepts this. A strong crime boss, with whom contact is made, helps maintain order among the criminals, and guarantees that the necessary number of "muzhiks" appear for work and the necessary productivity. Thus, Perm crime boss Yakutenok had in Colony No. 12 in Nizhniy Tagil (where he spent his last term) a clean room in the medical block, cognac, tea, chocolate, and drugs. What is more, Yakutenok directed his countrymen from the zone by telephone, determining the "policy" of the criminal

world. On his release from the zone an apartment with an armor-plated door and a brand new Zhiguli passenger car awaited Yakutenok.

How the crime bosses conduct a court of "honor" can be imagined from the situation in Sailors' Rest Prison. As I was told by an acquaintance detective, whose ward is now sitting in the famous investigative solitary confinement cell No. 1, two crime bosses there call the shots. On their orders, the good-for-nothings who committed an offense, gave false information, or are militia accomplices, or suspected of being informers, are thrown from a double bunk bed onto a cement floor. After such "falls in their sleep" (of course, not one victim will tell the real reason), the person is sent to the infirmary for a long time and, if he survives, it is unlikely that he will remain healthy. But what is to be done? Not only is the crime boss supposed to live according to the "law," but also to watch over its fulfillment by the brotherhood.

It is interesting that in cases of disrespectful treatment toward himself the crime boss is supposed to prove his superiority. How and with what methods is his business, but a lapse denotes in the eyes of others a loss of authority for the crime boss, and consequently his loss of title. In this sense the history of the well-known crime boss Kalin, whose godson was Yaponchik, an even more famous patriarch of the criminal world, is indicative.

Kalin did not enjoy any special respect. He was a musician, he respected the "laws" and was proud of it. But according to the opinion of many, he was not drawn to becoming a real crime boss. One day he was enjoying himself in the Olympus Restaurant in Luzhniki. At the next table, to his misfortune, a certain Mansur Shelkovnikov was relaxing in a civilized way—he was a very "tough" authority and the leader of one of the Moscow groups, and in addition had a black belt in karate. When Kalin got especially noisy, Mansur made a comment to him. Things went from bad to worse, a verbal altercation ensued, insults were thrown, which for a crime boss who respected himself were dishonorable. Kalin, understandably, was not in comparable physical condition to Shelkovnikov. Indeed, why did he need to be? He took out a knife, and with one blow laid him out on the spot. He killed him. Then he got up and left, taking advantage of the turmoil and confusion. He was accused of murder and arrested, but...

Nevertheless, the story ends sadly for Kalin. Within two years he was killed by a shot in the head from a Makarov pistol. Some frail lad in a sports cap pulled down over his eyes did the shooting. He performed his deed and left quietly in the direction of a residential area. The name of the murderer is not known to this day.

It Is Simply that "Crime Bosses" Are Not Killed This Way

Kalin's death seems to have opened up a series of sensational and always unexpected murders of crime bosses and authorities of the crime world.

Of course, various ones were killed previously as well. But it goes without saying, not in such numbers, and the main thing is that they were not as influential and noticeable in our normal lives. However, the situation in Russia has changed, economic policy has changed, and a majority of mafiosi, not wanting to lag behind the times, have thrown themselves into commerce, racketeering, and questionable and openly criminal business; they have become a real force. Therefore the death of any one of them is turned into an event not only for criminals but also for business people, the "new Russians," and even the politicians.

In Vladivostok crime boss Banin, nicknamed Bandit, a former sportsman and serviceman, has actively engaged in commerce. During a "showdown" competitors killed Bandit and two of his bodyguards, and the corpses were burned. Crime boss Ankundinov, nicknamed Mistress, a native of Saratov Oblast, was killed. The day before, literally sensing death, he transferred the right of law enforcer to Banin and Kitayev (nicknamed Chinaman). Vasin, a native of Chita and well-known as "Gem," became a crime boss, and until recently controlled a huge territory in the Trans-Urals. Crime boss Yablochko took control over Samara, Togliatti, Novokuybyshevsk, Chayevsk...

The largest concentration of crime bosses, as might be expected, is in the capital region. Even those who control the remote areas prefer to live closer to the capital. It is here that the paths of the authorities cross in the event of the resolution of questionable territorial financial questions, and it is from here that many famous names—Yaponchik, Tayvanchik—left to go abroad, and Isayev, nicknamed Signature, one of the crime bosses of the new formation, left to cross the ocean. He is worth talking about in more detail.

It is said that Signature was crowned on the recommendation of Yaponchik especially to squeeze the Caucasus element out of Moscow. And Signature took on the job smartly. As he said himself during one of his arrests: "I do not do anything bad. I only shoot off 'Papuans.'" Some operatives think that the famous attack on the Chechens at Ostankino, where four Caucasians died instantly, can be attributed specifically to Isayev's fighting groups. But, in addition, the "feats" are not that celebrated and effective.

It must be admitted that Signature is a courageous person. His heroic conduct did not go unnoticed among people at the top, and he fell into serious scrapes twice. The first time during a shootout, Isayev was lucky—the bullet was stopped by a bulletproof jacket. The second time a hired killer, it seems, did everything, and the bullet hit Signature's liver. But luckily for him, Sharapov—Signature's bodyguard—was between the sniper and the liver. He took the main hit, and died on the spot. Isayev, in grave condition, was taken to hospital, and afterwards flew to the United States where he was operated on again; he is now once again in the capital, full of strength and plans.

The fate of other kingpins of the criminal world, who became Signature's countrymen long ago, was much worse. Givi Rezanyy disappeared—he said goodbye to his wife and went into the yard to his modest Zhiguli and... Sometime later people in militia uniforms came to his wife and politely returned the car keys. No one has seen Rezanyy since that time. But what is most curious is that no one in either the MVD [Ministry of Internal Affairs] or the counterintelligence organs can give any explanation regarding Givi's disappearance.

According to generally accepted concepts in the criminal environment, unknown persons audaciously made short work of countryman Givi and the young Georgian crime boss Pipiya. The 33-year-old, who was repeatedly convicted and is the owner of four cars (including cars that are the dreams of eccentric Porsche millionaires, which can cost up to \$700,000), did not work anywhere, and, according to operational data, worked in the drug trade and lived in a rented apartment in Moscow. What brought him to Moscow's suburban Zelenograd? Now the Criminal Investigation Department and the Procuracy are interested in this question, because Pipiya and his brother were found with their heads shot through accurately at No. 9 on one of Zelenograd's streets next to the GSM [cooperative garage] Malino.

The fate of yet another crime boss—well-known Georgian crime boss Mikeladze, nicknamed Arsen, is also tragic. On 22 June of last year employees of Petrovka 38 arrested him at Hanoi Restaurant. The 50-year-old authority settled matters, and was the arbiter in the conflict between the Georgian and Solntsevskiy groups. The operatives found 34.5 grams of marijuana on Arsen, and after observing pertinent "ceremonies" released him on bail. Alas, Mikeladze lived about six months after this.

At the beginning of winter he and an acquaintance drove to Tbilisi for a friend's birthday. It was a small gathering: six or seven people. By the way, the popular artist Kikabidze was among the guests. At about 2100, on Mikeladze's recommendation, they started to break up. Arsen and his friend came out of the doorway, got into their Mercedes, and got ready to drive off. Suddenly two men with AKM's got out of a Zhiguli that was nearby and literally riddled them as they sat in the Merc...

One other well-known authority—the crime boss Globe—was also shot in masterly fashion last year. He was hit with a sniper's bullet from a rifle with an optical sight while coming out of the discotheque ULIS'S. And at the very beginning of the year, in January, one of Globe's closest contacts was shot—one of the toughest mafiosi with the nickname Bobon. The reasons for Bobon's murder were more than adequate, and the operatives also do not rule out the shootout in connection with a series of deaths of well-known mafiosi and businessmen, behind which were Bobon's people.

The list of crime bosses and authorities is smaller, and those who have fallen in the mafia wars of Russia can be

continued. Although it is clear even so: It is becoming more and more dangerous to be a crime boss these days. A lot has changed, including in the crime world. You cannot hide from a bullet because of authority... As for the activities of the "patriarchs," gatherings of crime bosses can be expected in the near future, at which the security problems of the "godfathers" will be discussed. It is dead certain that they will arrive at appropriate organizational conclusions, and they will give strict instructions to someone, and someone... It is obvious that we will not learn about this from a resolution published in the press. We will see the results of the "gathering" and new sensational criminal deeds in operational summaries of the militia.

When this material was being prepared for press, several showdowns occurred again between the "generals" of the criminal world. In Balashikha the only Chechen representative—a crime boss, well-known under the nickname Sultan, was shot. His bodyguard was also killed. And literally within several days another attempt was made on the life of a crime boss—a representative of Signature's Russian mafia. A bomb was placed in a car parked next to where he was walking, and it exploded. This time also, Signature did not die on the spot. He was taken to hospital in serious condition, but it is too early to guarantee that he will live.

We will recount the details and reasons for these crimes in forthcoming issues of this weekly. We think that new names will be added to the obituaries by that time.

Police Emergency Number Established

944F0631B Moscow ROSSIYA in Russian No 14,
13-14 Apr 94 p 2

[Article by Larisa Galina: "Yell. 'KRIK' Will Help"]

[Text] KRIK—criminal information channel—is a new emergency assistance service established recently in the city's municipal militia. In some ways it is like the famous American 911 service. Thus, a report on the crash between a gasoline tank truck and a trolley bus on Dmitrovskiy Highway, which all Moscow was talking about recently, was first received by the dispatchers of the Moscow KRIK Service: The driver of an automobile, who fortuitously showed up at the scene of the accident, transmitted the information over the radio in his vehicle. The KRIK dispatchers now receive more than 100 such calls in a day—about traffic lights that are not working, road accidents, fights, thefts, and other disorders on the streets. By far not all Muscovites, of course, have radio stations or mobile radio telephones, and the KRIK employees are not trying to subordinate the well-known service numbers "02" and "03" to themselves. But try to dial these numbers after seeing a fight, for example—it is not easy to get through, and indeed there may not be a phone booth on the street. It is here that KRIK will come to help—it is necessary to tune in on Channel 9 on the radio and say the password "Petrovka." But more simply, dial telephone number 254 97 09.

'Criminal Revolution' in Russia Examined

944F0645A Moscow MOSKOVSKAYA PRAVDA
in Russian 14 Apr 94 p 4

[Interview with cinematographer/writer Stanislav Govorukhin by Eric Kotlyar; place and date not given: "A Country That Has Betrayed Its Elderly Does Not Have a Future"]

[Text]

[Kotlyar] Stanislav Sergeyevich, much of what you write about agrees with the materials we publish; in particular, that reforms in Russia are being accompanied by an explosion of criminal manifestations on an unheard-of scale! But then how can we explain the fact that in August 1991 you were an active defender of the White House?

[Govorukhin] What is so surprising about this—both in 1991 and now I defended and continue to defend the constitution and democracy. How do you explain that in 1991 our president acted in the name of defending constitutional foundations (he took an oath of allegiance to the people on this very constitution), while in September 1993 the constitution was essentially trampled! Now, this logic definitely defies explanation!

[Kotlyar] You probably remember that it was said way back in the "500 Days" Program that "black" money is capable of facilitating the accumulation of productive capital; then there were contentions that any initial accumulation of capital is good, and the sooner it "accumulates," the better; now the president gets horrifying analytical reports saying that crime is almost beginning to displace the state! A federal crime suppression program is adopted, with an envisaged cost of 2 trillion rubles [R]. So what do we have: First we seem to urge those guys to accumulate money, in order to subsequently put it to work, by any means possible; then we start crying: "Help! We are surrounded by robbers!"?

[Govorukhin] As early as the 1980's we, members of the cultural establishment, warned the government that flirting with the criminal world would end badly. I wrote a lot about this, and my film "We Cannot Live This Way Anymore!" is a graphic teaching aid for the powers that be! That crime will flourish if it is encouraged was no secret to anyone. It is a different matter that the current authorities are artificially creating favorable conditions for bringing as many people as possible, from different societal strata, into the criminal vortex. It turns out that it also makes sense politically: Once you get dirty, you have no choice but to support the authority that lets you live this way. This is why at all elections the criminal underworld actively supports the current regime. By creating economic oppression, the authority itself pushes people in the direction of "black business," machinations, buying-reselling, embezzlement, and thus in a way creates direct dependency on these conditions. The criminalization of society is underway. One can see the same in the military and the MVD [Ministry of Internal

Affairs]. Can you imagine the soldiers of the 1991 army firing at the Supreme Soviet of Russia? Now, however—you have seen it for yourself! The military has been put into extremely difficult economic circumstances; it is becoming demoralized, corrupted, and losing its moral foundations. Fight crime in these conditions? Nonsense! We cannot stop crime through the legal system! First, we have to change the socioeconomic nature of our life. For instance, the law on taxes. It should be profitable to work! It should be promising and attractive to produce goods. Loan-sharking, on the other hand, robbing the population through the banks, stealing state materials, and selling off military equipment should be not just unprofitable but outright criminal, dangerous! That is, we have to cut the economic roots of crime. As long as a young person sees in the experience of people around him, his own parents, that it is impossible to live honestly, the ranks of criminals will keep getting new recruits from the younger generation.

And the second, no less important item—creating a moral climate that opposes criminal morality. The spirit of society is predicated on the level of culture, on art. These are the most effective levers of educational impact on the inner world of a person, his formation. The church—yes! But the beneficial influence of the goodness of the church shows up gradually, being absorbed over several generations. This we will see in the children that have not yet been born. Right now, what do we have—people come to church in droves, while criminals keep multiplying, ignoring everything, and occasionally even robbing temples!

Only the spirituality of books, theater, cinema, and museums are capable today of attracting people, bringing out of their hearts an impulse for moral revival. To achieve this we have to restore libraries to their proper place, subsidize theaters and production of our films—fundamentally change the moral atmosphere; only then will the code of legal norms really begin to work!

After all, it is not that difficult to get rid of street crime if needed. In this respect Zhirinovskiy is right—two weeks of tough law enforcement on the city streets, and the problem will go away. It is simply that right now nobody wants to do this. As well as making the punishment commensurate with the crime committed. For instance, you steal a hen and get eight years, but you steal a car somebody had been saving for all his life, and you get two years of probation! It is important to correct all this, but only after the main two causes are liquidated.

[Kotlyar] Stanislav Sergeyevich, now that you are a deputy and can observe from inside the law-making mechanism, how do you explain that laws on corruption and organized crime still have not been adopted; that the notions of "leader" and "organizer" have not been defined? Without these legal norms the militia is practically toothless.

[Govorukhin] You reason the same way as the MVD! This is not the point. Of course, we need laws, and the law on corruption has already been drafted and will be passed; however, without uprooting socioeconomic roots this will have no effect on the final outcome. Tell me, what keeps the militia from getting rid of street crime today? The lack of a law on corruption?

[Kotlyar] We frequently ask this question and hear in reply: We do not have enough personnel, we are being sidetracked into maintaining law and order during manifestations...

[Govorukhin] How many times a year does this happen? Six thousand people gather on national holidays. Is this really the reason? The reason is different: the military and the militia are being readied for suppression of all sorts of public unrest. This is happening in the regions under the guise of protection of borders, suppression of large-scale crime.

[Kotlyar] In your book "The Great Criminal Revolution" there is this thought: A country that has betrayed its elderly does not have a future. That is, the generation that won the war, that built everything that still supports our life, has found itself essentially struck out of life and doomed. In the name of what? In your opinion, can this be corrected?

[Govorukhin] This is precisely the moral atmosphere I am talking about. We have rejected the elderly, the keepers of popular wisdom and morality, people who have been revered at all times. Among other peoples the notion of an elder is a symbol of respect. The leadership should be comprised of people who understand well what they are doing and what responsibility they have to the history of the country. Take cinematography. This is where perestroika actually began. Like a drop reflects the sea, this small cell of society reflects all the consequences to come of the mistakes that have been made: The system of movie distribution—the best in the world—has been destroyed; the elders of the profession, who brought world fame to national cinematography, have been relegated to the trash heap; state support for production of Russian films has been removed; and what did we get—ruin! Cinematography is not a country—everything happens fast there. But was it not possible to draw correct conclusions from the initial stage of the experiment? No, they continued along this road, and as a result the entire country, its entire industry and agriculture, have been destroyed...

[Kotlyar] Stanislav Sergeyevich, prominent politicians believe that the "Chinese way" is unsuitable for Russia...

[Govorukhin] Well, but you see, they all play tennis! Remember Dostoyevskiy: Smerdyukov could not imagine restructuring Russia without the Germans and the French. Our rulers are the same way; they have forgotten our own history and literature; they do not remember that from time immemorial the Russian eagle has been looking to the West and to the East, picking the best in different parts of the world.

[Kotlyar] And at the same time, it is laughable, but one can find examples in the press that when they want to show the good side of capitalism, they say that China and Turkey have fed and clothed Russia in no time at all! Meanwhile, the trade routes from Turkey and the ill-starred China are littered with young victims. Is it possible to return this generation to a normal life cycle?

[Govorukhin] This is a lost generation. We cannot pin any hopes on it! They will not go to work in production, will not defend the motherland, and of course will not want to dig into the hard rock of science. They have been poisoned by the venom of profit. A school of a young tribe of thieves. Children who wash cars instead of learning. The usual argument—what is wrong in this, let them learn how to work at a young age! Why do not let children of big bureaucrats and nouveaux riches wash cars? It is the children from impoverished families that stay uneducated and quickly become criminalized. When a father is asked to come to the school because his son is failing a grade, he just shrugs: What can I do, I am unable to feed the family. Children from well-to-do families will go to prestigious lyceums, get a foreign education. The city of Zabaykalsk. By night children rob railcars, and by day they work as rickshaws for Chinese merchants. I saw these children—they are happy to have what they have. They simply do not know that there can be a different life... This is what has been done to the young generation. And this is the worst. Not the plundered mineral resources—this is bad, but we can survive it, ours is a rich country; a future destroyed, however, cannot be replaced!

The substance of reforms, for the sake of which we have sacrificed our children, is that in the 1990's inflationary processes in the West abated dramatically, and business activities picked up. Western economists write that about \$30 billion flows there annually and work for Western capital. It is rubbish that the West feeds Russia. John Ross puts it straight: It is the exhausted Russia that feeds the well-to-do West. Due to diminished internal consumption, Russia exports more fuel and raw materials... From my own observations—Kentavr, a Chita company, signed a contract with a Chinese company to sell KamAZes. One KamAZ—one tonne of chewing gum! Nineteen trucks for 19 tonnes of chewing gum! Here is a principle for you. The more unprofitable the contract is for the state, the greater the income "on the side!" The result: Several hundred thousands dollars landed in the Chita company's foreign bank account. An enormous crime against the state is being committed!

[Kotlyar] You voted for the amnesty. The law enforcement organs maintain that many of those serving time for grave crimes will fall under the formal provisions of the amnesty.

[Govorukhin] Quite possibly. This is not the State Duma's initiative, however, but the president's. His draft edict on amnesty covered only criminals. How can one start living by a new constitution by issuing an edict freeing criminals when the country is in such a situation?

The State Duma added a political amnesty so that people would see that there are people among deputies who understand very well and make proper judgments of events. As it had been under unbridled Bolshevism, the authority draws its strength from the criminal strata and seeks support and understanding among them. The result: People tiredly reject everything that is going on. I meet with people and I hear them express horror over what happened during the days of October 1993; they also want to know more about the new apostle—Zhirinovskiy.

[Kotlyar] By the way, what is your opinion of him?

[Govorukhin] If you listen to him, he is an ardent fighter against the current authority. In reality, however, he is Yeltsin's man. He supported all edicts, the new constitution—it would not have passed without his support! He is now a very convenient lightning rod to scare the people: You say we are bad, and maybe it is so, but look! This is what you will get if we go! A day does not go by without the mass media portraying time and again "Zhirinovskiy's horrors." The authority cannot survive without an enemy. And who is the enemy today? Khasbulatov, who is sitting in Chechnya? Ruskoy, just released from prison? Zhirinovskiy fits perfectly the leading part of "enemy of the authority and the people." He is a very sophisticated and adroit politician.

[Kotlyar] Who do you see as the leader of Russia?

[Govorukhin] There are many such people! The most important thing for each of them is to be a sincere and convinced democrat, a man of great culture and fine intuition, a man who loves his people without reservation and is loyal to them. Not a few fuehrer!

[Kotlyar] But every time there is a turn in history the possibility of a fuehrer cannot be dismissed.

[Govorukhin] Everything is possible. But one can hardly imagine anything worse than what we have now.

[Kotlyar] Right now you have to work in the State Duma on collective decisions together with your opponents; how do you feel being next to your colleagues in the deputy corps from the opposing camp?

[Govorukhin] I do not understand the mentality of these people; it is alien to me, and I do not try to find a common language with them.

[Kotlyar] Do you think that the State Duma has a future?

[Govorukhin] No. It has no authority. It is being discredited; washing dirty linen in public—a lot of that is done. A demonstration for the people—what a collection of never-do-gooders and loafers it is. The history of the Supreme Soviet is being repeated. That one was disbanded to popular applause. Now there will be a presidential edict to disband another parliament, and everybody will say: This is great! It is important to convince the people that Russia does not need a parliament at all!

[Kotlyar] Why did you go there then?

[Govorukhin] I realized that this would be a powerless body, but I could not imagine that it would also be completely mute. There is no opportunity to appear on television, to publish in newspapers. Only now has a small window opened. People, however, want to talk to us. Take, for instance, my book "The Great Criminal Revolution"—a million copies sold, in our times! You cannot find it anymore. Dozens of regional newspapers reprinted it in its entirety. I get swamped with questions, but it is very difficult to find a forum where I can reach broad audiences.

[Kotlyar] What do you think of Kazannik in this recent incident involving his resignation?

[Govorukhin] I think he is too naive a person, but undoubtedly a man of integrity.

[Kotlyar] And about Ruskoy's trust contract?

[Govorukhin] Ruskoy was dangerous while he was in prison; now the task is to discredit him as quickly as possible. This case will be dusted off, although nothing can be proven there. But if it cannot be proven, what happens then—will the new procurator be held responsible? Hence, they will use all angles, will again investigate the Revival Foundation, the Agrokhim, and so on. I have said this many times already.

[Kotlyar] Are you currently making a new movie, writing a new book, or playing in a movie?

[Govorukhin] I have produced a video film with the same title as the book, and am working on a new expanded edition, which will be translated into several languages.

[Kotlyar] Thank you for answering the newspaper's questions.

Mafia Wars Examined

944F0645B Moscow MOSKOVSKAYA PRAVDA
in Russian 14 Apr 94 p 4

[Article by Larisa Kisinskaya: "By the Law of Crime—Otari Kvantrishvili: They Give It All to Me of Their Own Volition"]

[Text] Whoever aimed that gun at Otari Kvantrishvili, the shots sounded in the border zone of power. Kvantrishvili was a man who personified the attributes of our time. Authoritative in criminal communities and respected by the establishment and high society, he represented solid proof of sociologists' contentions that respectable capital draws its strength from shadow sources. While continuing to generate income of "unidentified origin," he at the same time took pains to create a completely different image for people of this kind: He invested immense sums in reinforcing his image as a public figure, helped the sports

movement, and justly criticized the policy of breaking-up the Union. Over a short period of time he was able to achieve great popularity.

There is probably no other criminal reporter whose creative paths crossed the "Kvantrishvili topic" as frequently as those of Larisa Kislinskaya. In several published materials she persistently drew the readers' attention to dark spots in his biography. As a result, she earned the honor of the "godfather" referring to her by name... She got several threats over the telephone, and one even delivered on television (!). Truly, we have strange ways of using our scarce air time.

It appears that a period of "extraordinary circumstances" has begun for the kingpins of the criminal world. Over the past several months alone the leader of Balashikha group, Sergey Frolov, was killed; Grigoriy Solomatin—the "authority" who shot Frolov—disappeared immediately thereafter. Also shot and killed were Sergey Sokolov, one of the gang leaders of the Pushkino group, and Sultan Daudov, the only Chechen crime boss living in the Moscow suburbs. Andrey Isayev—a crime boss nicknamed Signature [Rospis]—having barely recovered from old wounds, nearly got blown up in a car. This assassination attempt failed, too: Although Signature was seriously wounded, he is alive; two girls were seriously maimed by TNT charges the car was boobytrapped with, and a nearby militiaman was wounded. A second assassination attempt did succeed in the case of Vyacheslav Vanner (nicknamed Bobon)—the right-hand man of the crime boss nicknamed Globe [Globus] (Valeriy Dlugach) shot to death almost a year ago. Yuriy Stupenkov, president of the Russian professional league Kitek and the professional club by the same name, got caught in sniper fire. He had a previous conviction and enjoyed a certain authority in capital city criminal circles—like the previously convicted famous boxer Oleg Karatayev, who was shot to death at Brighton Beach. The Georgian crime boss Dzhamal Mikeladze (nicknamed Arsen), on the other hand, was killed in Tbilisi. Another old Georgian crime boss Givi Beradze (nicknamed Scarface [Givi]) also disappeared. Small gang leaders of the Pushkino and Koptevo-Dolgoprudnoye criminal groups were pursued and disposed of with enviable persistency. One might think, what else could happen that could shock Muscovites, who are used to everything by now?

However, the murder of Otari Kvantrishvili, president of the Lev Yashin Foundation for Social Protection of Sportsmen, former vice president of the 21st Century association, was a real sensation. Not because it was clearly a contract murder, as evidenced by the rifle with optical scope left in the attic of the house where the sniper fire came from, and the fact that the killers and their customers definitely knew that on Tuesdays between 1400 and 1800 Otari Kvantrishvili unfailingly visited Krasnopresnenskiy bathhouse. It was the identity of the slain person. He was known for his charitable activities: he appeared on television almost every evening urging protection of the Russian genetic fund

and Russian statehood; he even appeared at militia concerts; at the same time, in the unanimous opinion of enforcement services, he was a major "authority" in the crime world and could easily claim the title of a "godfather" of our mafia.

So who was Otari Kvantrishvili in reality, in whose way did he stand, and who is behind his murder? It is practically impossible to give an exhaustive answer to these questions, but we will try to reconstruct some pages from the biography of the man who is now buried next to Vladimir Vysotskiy—in the same place where a little earlier his brother Amiran, shot to death in August of last year in the course of gang score-settling in the office of the Vodoley international enterprise on Bolshaya Yakimanka Street, found his final resting place.

Several thousand people gathered at Vagankovskoye cemetery on 8 April—the day of junior Kvantrishvili's funeral. Among them were such famous people as Iosif Kobzon, a friend and cohort of the deceased in many undertakings; the singers Aleksandr Rozenbaum and Anatoliy Dneprov; the comedian Oleg Marusev; and famous athletes and public figures. And this is quite understandable—the deceased had friends among militia generals, marshals, Olympic champions, artistic bohemia, television commentators, and journalists, and had "access" to the very top echelons of authority. But at the same time this funeral was attended by crowds of athletic-looking young men dressed either in cashmere coats or tight leather. All of them were hiding behind dark glasses or turned away from photographers' and television cameramen. Some journalists were warned: "Do not take close shots or we will smash your camera." Others were permitted to take only panoramic shots or pictures of famous performers. This is also understandable: All these people are active members of the so-called organized crime groups—Izmaylovo, Solntsevo, Balashikha, Kazan, and Dolgoprudnoye. There was, of course, a large delegation representing the Georgian criminal community operating in Moscow. At this sort of event enmity is put aside—the "Chechen community" also sent its delegates. According to some information, all the well-known crime bosses (there are almost 50 Georgian and 14 Armenian ones alone living in Moscow) bid their farewell to the deceased during the night, after he had been eulogized in the church right here on Vagankovskoye cemetery. It is not yet known whether criminal "authorities"—leaders of aforementioned groups—were among them. All of them clearly did not want to come into view of enforcement services, knowing very well that Otari Vitalevich's funeral would be shown on television on numerous occasions. There were even rumors that the famous crime boss Vyacheslav Ivankov, nicknamed "the Jap," may arrive from the United States incognito, wearing a wig and makeup. Either he got cold feet, however (after all, he is on the federal wanted list here), or the makeup was exceptionally good...

The crowd that gathered at Vagankovskoye cemetery that day and then later at the wake at the Moscow Hotel was as disparate in composition as the opinions about

the deceased. Although Otari Kvantishvili was born in 1948 in the Georgian town of Zestafioni and spent his early childhood there, he considered Krasnaya Presnya his home (it is symbolic that this is where he was killed, and this is where he was buried). Over the past few years, though, he lived in Odintsovskiy Rayon, in a house purchased from Marshal Savitskiy. In the same area he built another mansion—with a pool, steam bath, and a training wrestling gym. He watched his health carefully, engaged in sports, and did not drink or smoke. He did gamble, though.

He started card games together with his brother at the Sovetskaya Hotel. In militia jargon, their specialization was called "rollers." It was then that the two young talents were noticed by famous crime bosses of old school—Anatoliy Cherkasov (nicknamed Cherkas), Leonid Korolev (nicknamed the Loafer), and Scarface Givi. It was these crime bosses, whom Otari Vitalyevich worshipped at the time, who entrusted him with "watching over" the racetrack and keeping an eye on the totalizator. The crime bosses placed their bets on the younger brother, since the older one had a reputation as an active gambler and a very unlucky one, despite the fact that this whole team played only in their own digs, specially equipped with imported radio and television systems, optical devices installed by engineers and physicists. This is where they skinned gullible plebeians.

Otari Vitalyevich soon realized, however, that it is not a good idea to limit his social circle to just criminal "authorities": He was a professional athlete; later worked as a coach at the Dynamo stadium. This is where he acquired many acquaintances in militia circles. He was very proud of these ties, and imposed his company even on top officials of criminal investigations. Until the last moment he made it clear to criminals of his acquaintance that he could help, that he had it "all covered" over there. I remember how in one telephone conversation with the author of this material (I will tell you the reason for these calls a little further on), Kvantrishvili mentioned that he had raised many athletes who now work in the MVD and KGB system and help him. And that he is like a father to them—and this is not at all because of money... As the conversation went on, the main character of Mario Puzo's "Godfather" unwittingly came to mind. Because Don Corleone, too, demanded only favors and loyalty of the people he helped.

Let us go back to the younger years of our hero. In 1966 he had a little mishap—he was sentenced to nine years for participation in a group rape. He got an early release—after four years, somehow a medical report surfaced on his psychological ill-being, which said that the prisoner was suffering from latent schizophrenia. At the time the Moscow criminal world was run by the crime boss Gennadiy Karkov, nicknamed Mongol. As soon as he was put behind bars, the throne went to another kingpin of the criminal world, Mongol's disciple, the Jap. When finally in 1982 Ivankov also was put on ice, Otari Vitalyevich remained free, despite the fact that the criminal file on the Jap's case contains documents

showing that the sportsman had some part in the actions of Ivankov and Co. Later, this patron was not forgotten, either. Besides, the old "boss" Cherkasov died, and O. Kvantrishvili buried him, helped his family. While Ivankov "languished" in a Tula camp, Kvantrishvili raised his sons, and got them involved in athletics. A real opportunity to help the Jap opened only in 1989. Such frenetic activities were launched to free him that in the haste this especially dangerous repeat offender—who, while being in the zone, never lifted anything heavier than a glass—almost got amnestied for shock labor and exemplary behavior. Well, he was not exactly amnestied, but he was indeed released early. I told this entire story in March 1992 in an article "Crime Bosses and Their Benefactors." I was warned at 38 Petrovka that Otari Vitalyevich would not overlook this—lately, his greatest concern had been his clean image. And his image was by then indeed quite well shaped: a patron of the arts, a fixture on television, children's and sportsmen's best friend. Having spent some time finding out my unlisted address and telephone number, Otari Vitalyevich called me at the beginning of summer 1992. He was very polite: "As a Christian and a father of four, I feel that a misfortune may befall you. There is plot being hatched, and possibly something will happen to you, but this will not be my fault, and I have already written a statement to this effect to the Krasnopresnenskiy Rayon procurator." He had always been a man of foresight: If he happened to go out carrying arms in his younger years (later on he had almost 150 bodyguards protecting him), he had a gun in one pocket and in the other—a statement to the procuracy: "I was walking down the street when I found this gun, and I am surrendering it to you."

He already hated me with a passion by then, as he told mutual acquaintances in militia circles. "Well, you are a Georgian—are you going to fight a woman?" one general asked him. "I do not fight women," my telephone companion soon told me. "But when a juggernaut like me gets moving, you understand..." He himself told me more than once, and it was not hard for me to guess, that his calls were of a tactical-preventive nature. He did not refute anything that I had written, especially considering that in the article on the subject of the Jap's early release, Otari Vitalyevich did not figure very prominently (there were more substantial names mentioned in it). He simply used to call at about 2300, ask why I sounded unhappy, complain that the militia was unfair to him...

It so happened that I published part of our conversation—also as a preventive measure—in the next article, in which I described Otari Vitalyevich's role in freeing from prison a certain "authority" nicknamed Plum. A member of Ivankov's gang and his emissary in Moscow, Plum was detained in Solnechnoye Motel with enough drugs to convict two; as time passed, however, the dope "evaporated" to symbolic proportions, and the Jap's best friend was free again.

This article did not interfere with our telephone "friendship" either. This ended in August 1993, when the older brother Amiran was shot to death. Strangely, the loving

younger brother directed all his wrath not at the cut-throats who had killed the unarmed Amiran when the latter, together with a Samara criminal nicknamed Crazy Fedya, came to sort things out with members of the "Chechen community" in the office of Vodokey company, but again at a journalist who wondered why criminal world "authorities," of which Amiran was one, are buried at the cemetery that is the traditional resting place for those who had been the pride of the nation.

By the way, Amiran Vitalyevich had not cared to create for himself an image like his brother's. He had different hobbies: While remaining a card player, and having gone through the school of prison, Amiran Vitalyevich suddenly became a playwright and allegedly wrote a play. Moscow criminal investigations detectives, attempting to follow this amusing story, told me that the newly hatched writer manages to make at least five mistakes even in a three-letter word.

Anyway, Otari Vitalyevich told me: "God will punish you. As for me, this is the last time I will call you. My brother was killed, and you call him a gangster." Quite possibly, God did punish me for something—nobody is a saint—but not for this: A gangster is a still a gangster even when he is dead.

The calls did indeed stop. But especially after October, when Otari Vitalyevich began to appear on television daily and many of his speeches resembled preaching, I occasionally heard direct hints addressed at me: "All these articles resemble the relations between the Elephant and Moska the Dog. The time will come when the Elephant will grow annoyed and will simply step on Moska." The charitable foundation's president quite frequently used precious air time for personal purposes: He upbraided journalists who got out of line (some of them had dared to joke about the appearance of a champion nominated by O.V. for president of the sportsmen's party he had founded); he wagged his finger at the militia, hinting that the chief of the regional organized crime unit of the Moscow City Administration of Internal Affairs has children. These were amazing broadcasts: Anchormen cowed before him, and call-ins came only from people who said something like "Oh, Otari Vitalyevich is such an amazing person. We are grateful that he exists." One anchorman could not help but draw a comparison: "In the past we said—thank you, Leonid Ilich, for being; now the same is being said to you, Otari Vitalyevich." I do not think I saw this anchorman anymore.

The foundation president lectured Aleksey Matveyev, a ROSSIYSKAYA GAZETA sports reporter: "You will be knowledgeable about sports when you stop arguing with me. And anyway, you are too caustic, bitter. Think about it. Or you will get whacked." My colleague published this, and a month later was hospitalized with deep lacerations to his face. Such a coincidence.

He repeated many things to everyone. His phrase: "I do not take away anything from anyone and do not even

ask. They bring everything and give it to me of their own volition" became proverbial. Nevertheless in one of our evening telephone conversations he mentioned one of our millionaires: "I tell him—Artem, give a million to needy children. And he, the rat, does not." I have also heard this opinion: Wherever his money came from, he gave it to the indigent, children, and orphans. Such a modern Robin Hood. But the times of noble robbers are gone—now is the time of noble mafiosi. For instance, John Gotti, the head of the powerful Italian clan of the American Cosa Nostra, built a hospital for the poor in a New York borough with his family's money. But in the United States, money "laundered" this way did not clean up the influential mafioso in the eyes of public opinion or in the eyes of the law.

For our vulnerable Criminal Code, people like Kvantrishvili are invulnerable. He began building his fortune by helping to collect debts—something done now partly by racketeering brigades, and partly by private detective companies: one half of the money for the client, one half for yourself. "I do not take anything away from anybody..."

In quite a recent criminal case—kidnapping an Australian couple for ransom—there is testimony by one of the suspects, who told how his company Sovavstraltekhnik began to be "visited" by racketeers. One employee suggested to the head of the joint enterprise a meeting with Otari Vitalyevich and remarked that the latter may help to settle the incident. Kvantrishvili—at the time vice president of 21st Century—said that everything could be taken care of provided that the company become a member of his association and pay an initiation fee, and also suggested that they sponsor a boxing association and contribute money to the Uralochka volleyball team. This was not all: Otari Vitalyevich demanded that the joint enterprise hire his people (all of them were later charged with organizing the kidnapping). In turn, "his people" began to dictate their terms to the head of the company. Otari Vitalyevich's name also was mentioned in court in connection with a case of "hooliganism" in the fall of 1988. "Hooliganism" meant a shootout (at the time this was still a sensation) between members of the Lyubertsy and Dolgoprudnenskoye groups. The overzealous lawyer read out the testimony of one of the defendants about to whom the gang, which extorted protection money from cooperative members, prostitutes, and merchants, paid its own "duty."

Another arrested businessman described how the foundation president made others hire people to work for their company. First he demanded a million for the needy, and then, on learning that his request had been refused, sent the company a Balashikha brigade led by a major "authority"—the now-deceased Frol. By the way, Sergey Frolov and his gangsters were under Otari Vitalyevich's protection, and so were the Solntsevo, Lyubertsy, Podolsk, Dolgoprudnoye, and Kazan groups. Maintaining good relations with the leaders of these gangs, Otari Vitalyevich implanted "his eagles" from these gangsters into large government organizations.

commercial structures, and banks. This in turn enabled the gangsters to launder money obtained through criminal activities, as well as first claim some part of the income of some or other company, and then later take complete control of it. In short, he did not take away anything from anyone and did not even ask. They brought everything to him and gave it to him of their own volition.

He was a strong and wealthy man, but had no forgiveness whatsoever for those who went against him. Although rumor has it that he backed off when faced with a more formidable force.

One of the versions of his murder is based precisely on this assumption. Everybody expected Otari Vitalyevich to take revenge for the death of his older brother. This did not happen, however. The Georgian "crime bosses" denounced him for this. There are rumors that the "Chechen community" actually declared war on him. Especially considering that he had had a conflict with members of this clan over the privatization of one of the largest hotels located not far from the Ministry of Foreign Affairs. He set his sights on the hotel, which had already been under the Chechen's "wing" for a long time; Otari Vitalyevich backed off. In April this year Kvantrishvili traveled to St. Petersburg, where he had an altercation with the local "crime bosses." One can judge how serious this conflict was by the fact that he asked the Lubyanka to assign to him a protection group from the special unit "Vypel" (his 150 bodyguards were people in a different line of specialization, to put it mildly). In addition, Otari Vitalyevich acquired for himself a foreign travel passport in a different name so that in case of danger he could quietly slip out of the country (after all his talk of love for the motherland). It is hard to tell what triggered this conflict—division of spheres of influence or claims that the foundation president had distanced himself too far from the people (underworld people, that is). Otari Vitalyevich heard this kind of comment from the Moscow "authorities" as well, who were unhappy with the excessively intense political and social activities of their acquaintance and his close ties to the militia.

In the opinion of professionals, this kind of murder is done only over money. And the money involved here is considerable. Take, for instance, one of the sectors "supervised" by Otari Vitalyevich—the gaming business. The profits are gigantic. But lately a well-known "authority" Silvestr began to control an increasingly greater share of this juicy morsel. There is talk in the criminal underworld that a major leader had something to do with the latest events. Besides, a friend and confederate of Silvestr, but at the same time his rival—an "authority" nicknamed Beard—some time ago disappeared under mysterious circumstances. His corpse with a garrote around the neck was recently fished out of the Yauza River. Besides, there are quite a few people in Silvestr's entourage—and he does not hide this fact—who are well-trained marksmen, who handle firearms professionally...

Not without the approval of their American patron—the Jap—Moscow mafiosi implement in practice the motto: The worse it gets for the Russian mafiosi (Otari Kvantrishvili did not hide his attitude toward the Slavic clan), the worse it gets for "Chechens." And, as I have already mentioned, the Russian mafiosi have lately encountered quite a few setbacks.

When gangsters get rid of gangsters, it is to their benefit to implant in the public mind completely opposite versions. Hence the rumors that the "hunt" on "authorities" is being conducted by the MVD-KGB, and that allegedly a "White Arrow" team had been set up for this purpose. It is not hard to guess that with such rumors circulating, it is much easier to get rid of rivals.

Overall, however, the latest events are evidence of complete runaway lawlessness: Not only are major bankers and businessmen, as well as accidental passersby, getting killed—the biggest figures in the underworld are also getting knocked off. In the past this was an extraordinary event in the criminal world. But the current decline in moral standards has affected it, too—there is already a whole new generation for whom there is no authority, including criminal. This decline in morals also is evident from the fact that the car of singer and composer Vladimir Migul was blown up next to a school, on Paliashvili Street. An eyewitness to the event, the son of a girlfriend of mine, said that the only thing that saved the kids was that it happened in the middle of classes. And added: "When I was in Italy I heard that there—the homeland of the Mafia—it is taboo to settle scores near schools." Well, it may be taboo over there. Here, however, virtual battles unfold in kindergartens, many of which have been leased to commercial dealers. There have already been two such instances in Moscow. In one the gangsters even used the children as cover as they retreated. Neither is it good manners "over there" to openly launder dirty money; here, we say: "Who cares where the money came from; the important thing is that he helped people." Over there, newspaper disclosures may at least tarnish an image. Here this only costs the journalist a cut-up face. Over there one cannot reach the pinnacle of power with a questionable reputation. Here a twice-convicted man may become an adviser to the vice president! (By the way, Kvantrishvili supported a totalitarian state. Although he did not show up on television back then, at least he could live in peace.)

Over there, laws work; here, the mafia operates. And although Otari Vitalyevich was by status several orders of magnitude higher than the leaders he knew and who had been killed a little earlier, his life ended the same way—from a bullet meant precisely for him. I have also heard this question: Are we not on the threshold of mafia wars? I think that the latest events, including those that took place in front of the Krasnopresnenskiy bathhouse, tell us that the mafia has declared war, but not on rivals—on statehood.

Media Court Decides EXPRESS-GAZETTE Case

944F0645C Moscow ROSSIYSKAYA GAZETA
in Russian 29 Apr 94 p 4

[“Ruling No. 11 of the Judiciary Chamber for Information Disputes under the President of the Russian Federation, Issued on 21 April 1994 in Moscow”: “On the Material ‘What A Life... People Have!’ Published in EXPRESS-GAZETTE No. 5, March 1994”]

[Text] On behalf of the Council of the Federal Assembly of the Russian Federation, the Federal Assembly’s legal administration has filed a claim with the Judiciary Chamber for Information Disputes under the President of the Russian Federation regarding false information contained in the material “What A Life... People Have!” published in EXPRESS-GAZETTE No. 5, March 1994.

After reviewing the material, hearing the legal administration’s representatives, I.I. Zablotskiy and G.I. Dyakonov, and the representatives of EXPRESS-GAZETTE, S.A. Shibalov and A.S. Ivanov, and studying additional materials supplied by representatives of the parties, the Judiciary Chamber finds that:

EXPRESS-GAZETTE in issue No. 5, March 1994 under the rubric “Investigation” published editorial material on the subject of the Provisional Statute on Support of the Activities of Deputies of the State Duma of the Federal Assembly of the Russian Federation, approved by State Duma Decree No. 41-IGD, dated 21 January 1994, and published in ROSSIYSKAYA GAZETA on 29 January 1994.

Contrary to the content of the Provisional Statute, in the material “What A Life... People Have!” the editors put forward their own untrue and slanderous conjectures and comments regarding material and organizational support for deputies’ activities.

The disgraceful writing style, and a dense concentration of insulting, untrue, and absurd allegations are evidence that EXPRESS-GAZETTE essentially chose the road of mocking the State Duma deputy corps and humiliating and discrediting elected representatives of the people.

During a court hearing EXPRESS-GAZETTE representatives admitted that the material was untrue and biased, but attempted to find an excuse by saying that much of its information and data had allegedly come from other sources. In addition, they said that this is a “young” newspaper and that such writing style was allegedly necessitated by the need “to come into its own” and “win over its competitors.”

The Judiciary Chamber rejects such arguments. There are no references to other sources in the material. Analysis of submitted supplemental materials showed that there are no verbatim reprints, while many conjectures, insulting hints, and contentions represent EXPRESS-GAZETTE’s own “creative work.”

Also impermissible is the contention that for the sake of gaining a foothold in the newspaper marketplace one may resort to the use of cheap sensations, publication of untrue and insulting materials, and mockery of the institutions of Russian statehood.

The Judiciary Chamber, of course, reaffirms the right of the mass media to cover the activities of state bodies truthfully and objectively, which includes criticism. EXPRESS-GAZETTE editors had the opportunity to compare their own perceptions with the previously published Provisional Statute and see proof of elementary ignorance and confusion. Instead, EXPRESS-GAZETTE chose a different road—the road of slander, mockery, and ridicule.

The Judiciary Chamber also found that EXPRESS-GAZETTE Editor in Chief A. Kupriyanov deliberately, without good reason, did not show up for the hearing and did not present any explanations regarding the circumstances of origin of this material.

Taking the above into account, and guided by Articles 9 and 12 of the Judiciary Chamber Statute, the Judiciary Chamber resolves that:

1. The material “What A Life... People Have!” published in EXPRESS-GAZETTE No. 5, March 1994, shall be deemed untrue and biased.

2. The aforementioned material shall be considered a gross violation of legal and ethical norms aimed at insulting the State Duma deputy corps and discrediting the institution of Russian statehood.

3. It is found that EXPRESS-GAZETTE Editor in Chief A. Kupriyanov grossly violated Part 2 of Article 49 and Article 51 of the Russian Federation Law “On the Mass Media.”

In keeping with Article 12 of the Judiciary Chamber Statute, the chamber recommends that the EXPRESS-GAZETTE founders relieve A. Kupriyanov of his duties as editor in chief.

4. This decision shall be sent to the EXPRESS-GAZETTE editors for publication.

5. The mass media shall be advised that it is impermissible to publish untrue and biased data of sociopolitical interest.

[Signed] Judiciary Chamber Chairman A. Vengerov

Media Court Head Vengerov Interviewed

944F0666A Moscow OSHCHAYA GAZETA
in Russian No 17, 29 Apr 94 p 9

[Interview with Anatoliy Vengerov, chairman of the Judicial Board on Informational Disputes, conducted by OSHCHAYA GAZETA correspondent: “Power of the Mass Media”]

[Text] Anatoliy VENEROV, chairman of the Judicial Board on Informational Disputes, believes: The informational space of Russia is ever more becoming a battlefield, on which the main problems of its future are decided.

In December of 1993, 65-year old professor of law and head of the state and law department at Moscow State Juridical Academy, Anatoliy Borisovich Vengerov, became the chairman of Russia's newly created Judicial Board on Informational Disputes. It was organized in accordance with the presidential edict on the basis of the Arbitration Informational Court. Today the Judicial Board has seven members, three of which are journalists and four—jurists.

[Correspondent] What real achievements has the Judicial Board had time to accomplish for society and for the mass media?

[Vengerov] In this time, we have issued 11 rulings, all on controversial and very complex problems of current times, associated with major inter-ethnic conflicts, with the recognition of the reliability and objectivity of facts published in the press, and with the most acute political disputes in society. We have also made two announcements. The first—on the newspaper ZAVTRA in connection with the publication by Iona Andronova, "The Secrets of the Kremlin," which consisted of vicious lies directed toward the destabilization of the situation in the country. The second was in regard to your publication, in connection with the situation surrounding "Version No 1." At the same time, we have issued rulings on 50 other various requests and applications. We also had to look into the question of who issues licenses for television broadcasting today and how. The journalists from Arkhangelsk Oblast asked about this, as they were unable to find such an agency in the country. It turned out that there really is no such agency today, and this is a violation of the law. We also received inquiries from Vladivostok, where a journalist was insulted, being refused the right to participate in press conferences. We reviewed the acute situations surrounding the mass media in Orel, Voronezh, Derbent, and Kemerovo. In Kemerovo, on the contrary, the local press went beyond the framework of what was morally acceptable in its publications, and we forced it to write a retraction of its repeated insults addressed at the local administration. Although it is true, instead of a retraction, it poured forth new insults... In short, we are not sitting idle.

I would like to stress that most of the cases which we have reviewed concern not capital, but regional publications. Most often it is there that informational disputes arise, and as yet we cannot provide a sufficiently effective mechanism of influence by the Judicial Board, which is located in Moscow, on local disputes. It seems we must create regional judicial boards modelled after our own, for the rapid review of regional informational disputes.

[Correspondent] Does it not seem to you that, even without a further increase in judicial boards similar to

your own, we already have very many different organizations which are supposedly engaged in protecting free speech?

[Vengerov] Without a doubt, the Russian informational space is simply overloaded with them, and free speech itself may perish in the embrace of such defenders. Just look: There is a state inspection on protecting freedom of the press and the mass media under the Roskompechat [RF Committee on the Press], and the Roskompechat itself, and our Judicial Board, and the Administration for Informational Provision under the president, and the Committee on Informational Policy and Communications of the State Duma, and the Federal Service on Television and Radio Broadcasting. Here we must add also the numerous social organizations—the Union of Journalists, the Committee for Protection of the Rights of Journalists, and so on and so forth...

[Correspondent] Evidently, this is not an elemental process, when everyone wants to defend glasnost a little bit? It is not a random occurrence?

[Vengerov] Of course, it is a regularity—a direct reflection of that state of society when the informational space, along with the legal, is ever more becoming the object of very specific skirmishes. I am convinced that the mass media today in Russia is a real and very strong power, a social field on which, perhaps, the very main things in the future of the country are being decided. And very many see this informational field as such—as a field where they must conquer. This explains the emergence of the large number of structures about which we speak. They are really waging a struggle for this field, for influence in the mass media which is not only an instrument for ensuring power. It can create power, but it can also kill it. Newspapers today have the power to give birth to politicians, and to cast them down.

[Correspondent] It seems to me that you are somewhat exaggerating. Such a fateful role is sooner within the power of present-day television. As a rule, the real practicing journalist today gets the opposite impression, that he is being stubbornly ignored both by the authorities and by the people.

[Vengerov] No, I know what I am talking about. Television today is merely one of the channels of influence by the fourth power, perhaps the quickest and most widespread. However, sociological studies, including those conducted at our request, show that in the regions, of which Russia consists for the most part, it is the press organs which have the greatest influence.

[Correspondent] It is interesting, how do we, the Russian journalists, appear in your eyes today? What are we lacking? What do we have in excess?

[Vengerov] A certain portion of the journalists, and alas a considerable one, appear in my eyes to be totally irresponsible people. By irresponsibility I mean primarily a low ethical and political culture. However, I would like to emphasize that this is specifically my perception,

and not reality, since any prosecuting or judicial workers most often see the negative side of life. In most of the cases which the Judicial Board reviews, there is a constant discussion of style and form of presentation of material. For example, recently we issued a ruling on the EKSPRESS-GAZETA which is published in Moscow, and whose founder is the newspaper KOMSOMOLSKAYA PRAVDA (which receives state subsidies, and this is important in this situation), along with the publishing group SEGODNYA.

EKSPRESS-GAZETA regularly publishes materials of an entirely inadmissible tone. One may read headlines such as, "Shokhin is Not an Onanist," or a narrative by a former journalist who has recalled a story told to him by Mikhail Poltoranin. One may have varying attitudes toward the latter. One may love him or hate him, but it is entirely inadmissible to publish material talking about how, when he was a young lad, Misha Poltoranin entertained himself with young friends such as himself in his native Altay by casting heavy stones across a raging river, and using the main object of manly pride as a sling shot. Despite the fact that the "Temporary Statute on Provision of Activity of State Duma Deputies" has been publicized, EKSPRESS-GAZETA publishes an article where everything is garbled through and through, and where there is a real mockery of the deputy corps.

We received an appeal from the Duma apparatus in regard to this publication, and rightly so—they have to defend themselves. Actually, when we studied the newspaper and the given material, we came to the conclusion that its activity surpasses all possible bounds of immorality. The lawyers defending the interests of the publication at our judicial session stated that the newspaper is young and such a presentation of material is a means of struggle for its place on the newspaper market, a method and style of conquering its competitors. Excuse me, but in our opinion this is simply filth. As a result, last week we adopted a decision which is unprecedented even for us: To ask the founder to dismiss the editor-in-chief, Aleksandr Kupriyanov, from his position.

[Correspondent] And what if they do not listen to you, leave Kupriyanov in his place and after some time renew the publication of similar texts?

[Vengerov] We have the right to present the question of issuing a warning for cessation of publication. I want to direct your attention to the fact that the cases with which we deal, as a rule, cannot be handled by ordinary judicial institutions. Well, can an ordinary court decide, for example, the problem of distributing television time between various parties during the period of the pre-electoral campaign? There is no way that it can. This is not within its competency. Can an ordinary court protect the interests of children against the vulgar attacks which, for example, the newspaper NOVYY VZGLYAD allows itself by publishing sadistic, masochistic and perverse materials? It cannot. It is within its powers to exact moral damages if someone specific has been wronged, to decide a case in someone's specific favor. My idea comes

down to the fact that in the new pluralistic informational space, unique state arbitration agencies must emerge, which safeguard the moral interests of society above all. Such is our Judicial Board.

[Correspondent] And is it in your power, for instance, to deprive a journal of operation?

[Vengerov] Without a doubt, especially if the dispute surrounding its name is associated with state agencies. We have the right to pose the question of rebuke, or of reprimand, or of dismissal of a journalist. Recently we reviewed a very painful case, when a journalist ascribed her ideas and her own words to other persons. We are speaking of a series of publications in IZVESTIYA by Irina Dementyeva regarding the Osetin-Ingush conflict—"War and Peace in Prigorodnyy Rayon." We determined that Dementyeva had ascribed her own, in this case incorrect, judgments to the representatives of the organs of state power, and thereby distorted the real picture, thus evoking additional tension in an already grave conflict. Let us put it this way, we only scolded Dementyeva, but we could have posed the question of her punishment.

[Correspondent] How actively do the Judicial Board's decisions get involved in politics?

[Vengerov] Yes, we do get involved in politics, except not from a political standpoint, but rather from an ethical one. For example, we dealt with the situation in Nizhniy Novgorod in connection with the elections for mayor which were announced there. Governor Nemtsov himself wrote in the decree on elections that the state agencies cannot speak out on the side of one candidate or another, but then he himself began telling in the mass media about how he could simply have appointed anyone he saw fit as mayor. Without hesitating, we immediately said that Mr. Nemtsov was wrong. We quickly sent our decision by fax to Nizhniy Novgorod—to the editorial offices of the newspapers, to the mayor's office, and the elections were not held.

[Correspondent] Have you personally ever engaged in any political activity?

[Vengerov] Due to the nature of my character, I cannot participate in politics.

[Correspondent] What newspapers do you prefer to read?

[Vengerov] I subscribe to very many of them. I try to read the press which reflects different positions and different points of view.

[Correspondent] Do you have any favorite newspaper authors?

[Vengerov] Yes, I like to read Stanislav Kondrashov in IZVESTIYA. I do not like to see moans and groans of

complaint in the newspapers. I prefer a thoughtful analytical style in which the author does not impose his ideas upon the reader, but rather invites him to participate in his reflections.

Draft Law on Media's Government Coverage 'Astonishing'

944F0666B Moscow *OBSHCHAYA GAZETA*
in Russian No 17, 29 Apr 94 p 9

[Article by Anna Politkovskaya: "A Dead Season For Domestic Journalism?"]

[Text] Any day now, the State Duma is expected to adopt the federal law, "On the Order of Illuminating the Activity of Organs of State Power in the State Mass Media," which seriously limits the capacities of Russia's journalists to carry out their professional responsibilities. The newspapers have already written about this—we are not the first here. Nevertheless, the topic seems to us to be so important and capable of significantly altering the political physiognomy of Russia, that we have decided to return to it once again.

The draft law was developed under the direct leadership of Mikhail Poltoranin, who is currently the chairman of the Duma Committee on Information Policy and Communications, Deputy Kirill Ignatyev, and two unknown jurists from some Academy of the Deputy Corps. The first reading of the draft law passed almost unanimously in the Duma, an occurrence which happens there quite rarely. This time they were able to accomplish that which even the president cannot seem to do—the document pleased the overwhelming Duma majority.

Let us ponder over what this new law may actually bring to each of our lives.

The draft law contains 20 articles. The first names the specific object of regulations—these are the relations arising in connection with the dissemination by the state mass media of materials or announcements on the activity of the agencies of state power of the Russian Federation and its subjects. The second gives assurance that the proposed paper is no more and no less than the ONLY (as if the Law on the Mass Media did not even exist?—author's note) "standard legal legislative statute on the procedure of such illumination." The third article explains that henceforth we should understand specifically as agencies of state power, i.e., those whom we should relate to this caste, which with the receipt of either state position or deputy certification, automatically acquire, in accordance with the articles of the given draft law, a practically unlimited right to speak on the air and to publish in printed publications whatever it, this caste, sees fit.

It is proposed that the following should be considered as agencies of state power: The president, the Federal Assembly, the government, the Constitutional Court, the Supreme Court, the Higher Arbitration Court, representative and executive agencies of the republics, krays,

oblasts, cities, autonomous oblasts, and autonomous okrugs. In short, very many people. And all of them receive their piece of the television and radio air time. Even if every other one decides to exercise this right, then we, the viewers, listeners and readers, will have a hard time of it. There will simply not be any time for anything else.

Article 7 obligates state television and radio to include in its daily information programs, on the day of the appropriate event, reports on:

- 1) "decisions and actions entering into the competency of the president or the Constitutional Court, or within the jurisdiction of the houses of the Federal Assembly;"
- 2) "announcements of the president, the houses of the Federal Assembly, and the government;"
- 3) "speeches by the chairman of the RF government, deputy government chairmen, and federal ministers at meetings of the houses of the RF Federal Assembly;"
- 4) "press conferences of the RF President, the chairman of the RF Government, the deputy government chairmen, chairman of the Council of Federations, chairman of the State Duma, as well as press conferences held at the decision of committees, commissions, factions or deputy groups of the houses of the RF Council of Federations;"
- 5) "other socially significant facts regarding the activity of federal agencies of power."

According to Article 9, the specific conditions for airing such announcements are also regulated: "In informational programs of state audio-visual mass media, reports on... (read preceding paragraph—author's note) must be broadcast exclusively as an individual block at the start of the program. ...These reports are not commented upon. The reports must be accompanied by a video series of the given meeting... The priority right to an interview in an informational or informational-educational program on the question of the agenda belongs to the speaker on the given question, the subject of the right of legislative initiative, and the representative of the profiled committee..." Furthermore, the LAW (!) establishes a precise hierarchy, who must follow whom in giving the journalist an interview. The journalist thus becomes that very same microphone holder of communist times—a role which he had so desperately tried to escape all these long years of perestroika.

The draft law intervenes even into the very structure of the television and radio programming: "The duration of a block of announcements in informational television and radio programs on the work of the Federal Assembly houses on the days of their meeting must comprise no less than: 30 seconds—for programs lasting up to 3 minutes; 1 minute—for programs lasting from 3 to 10 minutes; 2 minutes—for programs lasting from 10 to 20 minutes; 3 minutes—for programs lasting from 20 to 35 minutes, and 4 minutes—for programs lasting over 35 minutes."

For violation of the numerous principles of the proposed draft, administrative as well as criminal responsibility is

introduced, both for journalists who have not fulfilled the requirements of the law, and for editors who have allowed airing, for example, of an interview outside the hierarchy established by the law. Moreover, soon the Duma will already begin reviewing corrections to the Criminal Code, introduced by that very same Committee on Informational Policy, in accordance with which a journalist who has violated the effective legislation in the sphere of the mass media may be deprived of the right to work in his specialty.

We must point out that the draft of these corrections concerns all journalists without exception—television, radio, and newpeople representing state, independent, private—in short any—publications, companies or studios. If the editor-in-chief of a publication, company or studio nevertheless decides to continue publishing or airing under a pseudonym the materials of a journalist who has fallen into disgrace, then he, the chief, will also be threatened with removal from his position, and will lose the right to occupy it ever again in the future!

In our opinion, everyone today simply must ask himself the question of whether he is capable of working under the proposed conditions. If not, then we must, for the n-th time, show strict corporative solidarity in the face of the real danger of infringing upon our professional rights!

And now about the main thing: We may banter as much as we like about the unfortunate, clumsy articles which infringe upon the right of journalists. But what bothers us is something else—the sad circumstance that the draft law has received almost unanimous support. And for this there are at least two explanations. First of all, the developers have placed a correct stake on the vulnerable domestic world of those who, having finally clawed their way to the top, want to be and to remain the *nomenklatura*, having no intentions whatsoever of departing from the political power scene together with the next elections. As we know, the only terrible and real enemy on this thorny path is the journalist. He is today regularly despised not only by the entire Duma, but by the entire Federal Assembly, the government, the presidential administration, and so on, and so on, and so on. The journalist is blamed for the disintegration of the Union, for the collapse of the economy, for the decline of a stable state, for fanning hatred toward Khasbulatov's Supreme Soviet, for the regional wars, and finally for Zhirinovskiy. There is only one way to please this entire motley crowd, and all at once: By bridling the mass media. This is extremely necessary to all political parties and currents, without exception.

The second explanation appears although not as superficial as the first, but nevertheless it too has received the right to existence in the current political arrangement. The fact is that in the current everyday dealings of the Duma, that "working moment" which in common language is called "selling out" has become rather widespread. According to the information of a source who, for understandable reasons, asked not to be named in the

newspaper—a source who nevertheless engages in direct lawmaking activity—this draft law has become the victim of a deal within the Duma. The Zhirinovskiy followers have agreed not to vote down a law which is important to the democratic and sober minded deputies in exchange for the consent of the latter to share their votes during the voting on the mass media. In short, we—journalists and all our publications, studios and companies—have become a change coin on the political scale. They thought that we would survive anyway. But will we survive?

There is still time until the second reading, and that means the final acceptance of the draft law into law. And we are pinning great hopes on this, because it, as we know, is the cure. Perhaps during Easter week those Duma members who owe their emergence on the political scene entirely to the mass media, glasnost and freedom of speech will once again check their own moral scales to see what is dearer for them: A free press or a deal with the Zhirinovskiy followers. We sincerely hope that their common sense wins out.

NTV Said Behind Petersburg TV Scandal Accusations

944F0666C Moscow OSHCHAYA GAZETA
in Russian No 15, 15-21 Apr 94 p 13

[Unattributed article: "After the Scandal: NTV Accused"]

[Text] The scandal surrounding Petersburg TV, about which OSHCHAYA GAZETA and many other newspapers wrote in detail, has died down. However, readers have been calling and writing to our editorial office, requesting information on the development of events. How did the "Kurkova case" end, and did it end, they ask.

According to the information available to us, the St. Petersburg procurator's office conducted an investigation of the company's financial activity. In the words of B. Kurkova's assistant, V. Pravdyuk (published in the local Petersburg press last week), no evidence of compromise was found, and the criminal case is being filed not against B. Kurkova, but against "three fugitives on the run" (Syroyezhin, Arkhipov and Mikhaylov), who up until recently managed the company's commercial activity and tried to gain possession of \$1.5 million intended for the purchase of television equipment. They will be accused of financial machinations and gross counterfeiting of documents.

At the same time, Bella Kurkova, as the local press reports, has admitted her personal responsibility for the fact that the people who have shown themselves from their very worst side in this entire episode were hired for work by her and enjoyed her unlimited trust.

The company's legal service intends, after generalizing all the newspaper publications (and there have been over 200 of them during the "reporting period"), to file a

court suit against those publications which contained lies, slander and insults to the honor and dignity of the collective.

As the newspaper NEVSKOYE VREMYA reports, at the meeting of the management of the GTRK [state television-radio channel] "Petersburg channel 5" with the collective of the editors of Petersburg TV "Publicist," Viktor Pravdyuk announced that the "story with accusations of bribery was merely a smokescreen for a large-scale operation on the takeover of the television broadcasting networks by various commercial structures hiding behind the NTV television company."

"We must consider the full acuteness of this battle," V. Pravdyuk continued his thoughts in an interview with the newspaper VECHEIRNIY PETERBURG. "NTV represents not only the mighty 'Most-Bank' association, but foreign capital as well (primarily Israeli)." From among several expansions of the abbreviation "NTV," the well-known slavophile V. Pravdyuk believes the closest to the truth is "Non-Russian TV."

The general director of NTV, Igor Malashenko, whom I asked to comment, characterized all these accusations addressed at his company as being "delirium." NTV, in Malashenko's words, does not intend to encroach upon the television networks of the Petersburg channel. To pay for outdated and worn relay lines stretching over hundreds of unpopulated kilometers is an overly expensive and senseless luxury. The hatred by the heads of Petersburg TV toward NTV, in Malashenko's opinion, does not lend itself to rational explanation and has a clinical character.

In short, despite the accusations of Kurkova and company in corruption and financial abuses which have supposedly been rescinded, the situation in Petersburg TV, as before, cannot be called healthy. According to information received from several associates of the company, the conflict between part of the collective and the leadership is deepening. Although the management itself maintains that there is no global conflict, only that a small portion of the people have a "lack of understanding of the general problems, envy, the desire to enrich their pockets at the expense of state broadcasting—these types of authors, hindered in their grabbing instincts, shout most loudly about censorship and fear" (quote from interview with Pravdyuk).

Be that as it may, instead of looking for the enemy on foreign territory, is it not better to look at ourselves? The creative state of the Petersburg air time persistently demands this.

Controversy at Petersburg TV Viewed

944F0635A St. Petersburg NEVSKOYE VREMYA
in Russian 2 Apr 94 pp 1, 4

[Article by Irina Matyash: "Full Face and Profile of St. Petersburg TV. When Delivering Sermons, One Should Honor the Commandments"]

[Text] If you want people to keep quiet about something, you should keep quiet first. That, in my view, is the answer to the question of why the scandal surrounding the activity of the leaders of GTRK [State Television and Radio Company] St. Petersburg Channel 5 was not brought to public attention for a long time. The press, like the entire society, is still faced with a choice: Either to speak openly and promptly about the danger of uncontrolled concentration of power in a few people or sacrifice this circumstance to the political marketplace. One must think that this is why the scandal surrounding the GTRK will never really develop—Bella Alekseyevna will either cease to be a victim of circumstances beyond her control or she will encounter the entire weight of the law—the law on pensions.

But, after all, for the time being in principle there is no need for immediate measures concerning the leadership of the GTRK. For now it would be desirable to listen to the brief sermon of Viktor Pravdyuk (because before delivering sermons one should honor the commandments!) on television and radio, and concrete and possibly honest explanations of what is happening. Unfortunately, the leaders of Channel 5 prefer not to justify their actions, which would be the natural thing to do in their situation, but to construct a riddle about why all the press has suddenly been included "in the open season on Kurkova."

There are three versions of this in circulation.

The first was suggested by the shrewd mind of Anatoliy Sobchak. In an interview with Pravdyuk, the city's mayor dropped an absolutely inscrutable sentence to the effect that the newspaper campaign was clearly ordered because all the press had been bought up by the banks. This version, to put it mildly, is speculation, and it is not easy even for Anatoliy Sobchak to bring it to a logical conclusion. Allow me to ask, Anatoliy Aleksandrovich, which publications have given up their independence to the hands of bankers and how long ago did this happen? The fact is that not a single one of the leading newspapers that participated "in the persecution" has been transformed into a joint-stock company yet. And this is only one part of the question; the second requires explanations of generally what Bella Kurkova did that displeased our banks so much. There is the fear that the explanations are not forthcoming: The fantasy was clearly not thought through to the end and, most likely, absolutely no thought was given to the fact that someone might check it out.

The author of the next "riddle" is Bella Alekseyevna herself, who, of course, thinks that the entire story about the abuses was completely trumped up—the abolished GB [security service] is "socking it to her." We promise that if the chairman of the GTRK comes up with any kind of proof, NEVSKOYE VREMYA will simply demand that the monument to Iron Feliks be dusted off and immediately installed in its place.

The last version belongs to an expert-observer of St. Petersburg television, Tatyana Moskvina (her letter was published in last Saturday's issue of our newspaper). I quote: "...it is clear as day—since so many provocations, frame-ups, and scandals have befallen Kurkova, it can only mean one thing. It means that somebody wants to be in charge of the television company St. Petersburg-Channel 5 instead of Bella Kurkova. That is all, my reader friends, that is all."

No, that is not all, our critic friend, no, that is not all. From a false premise you draw a false conclusion and from the standpoint of logic it is a mistake. You will agree that first it is necessary to prove that this entire story is nothing but "frame-ups and provocation," and then you can move on to your conclusions.

Of course NEVSKOYE VREMYA has its own explanation for what happened and, of course, it does not suit the television leaders because the situation, from our viewpoint, is infinitely remote from politics. In this case one should speak, in the first place, about the absolute lack of control and abuses on the part of the leaders of GTRK, second, about the willful "improvisation" in commercial transactions and, finally, third, simply about arbitrary behavior. How serious these violations and negligence are, whether they are from inexperience or intentional—this will have to be judged by the corresponding commissions according to the results of the corresponding inspections. We shall point out only the direct or indirect evidence that our television and radio company is not threatened with either a creative or a commercial renaissance. If one wants to see in this the "gobbledy-gook" of very bigtime politics, then our arguments will simply not apply. Although, unlike T. Moskvina, we think that it is better not only to list the arguments but also to weigh them.

Generally speaking, one gets the impression that with the exception of people close to the leaders in the studio, regardless of which editorial office a person works for, regardless of how involved he is in politics, or what he thinks about the president or Nevzorov—complaints against the GTRK leadership are all of the same kind. First of all, not just anybody but precisely Bella Kurkova is reproached for destroying the studio and making sure that many talented workers left Channel 5. She was the one, when she became Poptsov's deputy and opened the branch of Russian television in Karpovka, who took a certain amount of television equipment, and creative and technical cadres there, leaving Channel 5 plucked in a certain sense. Again without coordinating with the collective, Kurkova reorganized the structure of the entire studio and, as a result, as workers assert, lost the creative potential of the leading editors on television (the once elite editorial team of Telefilm and the artistic broadcasting editors suffered especially from the radical breakup). The reorganization affected the cadres as well: She changed the positions of many workers and thus the salaries they received changed as well.

But it is one thing if she was simply demonstrating her indifference to the grumblings of the crowd. But that is not the case—she becomes aggressive whenever anyone in the collective tries to make a claim to participation in the affairs of the television and radio company. Even convening a general meeting of the collective causes difficulty—they have not managed to do this for about a year and a half. The administration demands a written notification for a "plebiscite" with an indication of the names of those thirsting for democracy. Taking into account the discussions to the effect that out of the 2,000 workers Kurkova intends to keep only 400, the meeting should be delayed.

Nor is it to Bella Alekseyevna's credit that she has restored a kind of censorship: While previously (including under Yugin) in order to put a program on the air it was sufficient to have the signature of the editor in chief of the corresponding editorial staff, by order No. 1 Bella Alekseyevna appropriated this right for herself and her deputy, Pravdyuk, alone. There is no assurance that the GTRK leadership will not thus violate the Law on the Mass Media, but there is suspicion that it makes no difference to the television leaders whether they do or not. In these circles, apparently, it is acceptable to think that the bureaucrat himself can become an eternal source of whatever kind of legislation may be needed.

It is curious, incidentally, how Kurkova herself interprets the concept of freedom and independence. The former chairman of the commission on mass media of the city soviet, Yuriy Vdovin, told what appeared to be an anecdote: At a meeting with the leader of the Board of Guardians of the BBC Bella Alekseyevna uttered the following sentence: "We are a completely independent television company and therefore we have not allowed anybody to say anything bad about our president." One wonders what we are to do, we taxpayers who think that we may say bad things about the president and that, most likely, it is even necessary.

True, those who encounter the leaders of GTRK assert that it is difficult to call the censorship here political because a great deal is explained by simple petty tyranny. The fact that Bella Alekseyevna, to put it mildly, is not the country's top democrat has been known since the times of "Monitor." About 10 years ago we students in the journalism department for television and radio broadcasting were given some very strange directives coming directly from Bella Alekseyevna. In particular, none of us was allowed to appear fully facing the camera during a television interview. This honor was granted mainly to herself and several workers of "Monitor" were permitted to show a profile.

One of the latest examples is telling: Kurkova ordered to have "cut" from the program "St. Petersburg Engagement" Yelena Drapeko, who is a member of the jury there, apparently because Bella Alekseyevna is not favorably disposed toward her husband—a former commercial director of GTRK under Yugin. Is this not why the "impudent rumors" are growing stronger that Kurkova

not only is in charge of all television and radio air time in St. Petersburg, but has been trading with them for a long time? And, unfortunately, not only in the figurative sense.

A certain amount of this is confirmed by the story about the head of the commercial center of Channel 5, Syroyezhin: Directly or indirectly, participants in these events tell it, of course, differently from the way the GTRK leadership does. Viktor Pravdyuk, it turns out, has forgotten a great deal! Let us recall that it was he and B. Kurkova who thrust the scandalized "young man" Mr. Syroyezhin on television. It was Pravdyuk who in the autumn of last year presented him to the necessary group of people as a genius of commercial operations and the future savior of the financial situation of GTRK. And one wonders what kept Viktor Pravdyuk from looking then at the labor book of the "American businessman" so that later he would not have to feign surprise at his acquaintance with Mr. Mikhailov?

Apparently there is a need (and pressure from the banks and KGB make it incumbent on him) to give his own interpretation of this story. And so, immediately after Sergey Syroyezhin gave his consent to head up the commercial activity on Channel 5, events began to develop extremely rapidly. They simply began to throw the belongings of the people who worked at the commercial center out of the premises and the workers themselves were transferred, without their preliminary consent, of course, to different positions or were fired. After successful completion of the "operation" in the combined commercial center (OKTs), another personage appeared—Mr. Arkhipov, leader of the advertising agency Praym (the loud scandal over "radio-rock" has not died down yet).

The first thing the "newcomers" did was to centralize all advertising activity at GTRK, promising to take punitive measures against violators. It is quite possible that from a business standpoint this was healthy, but the whole question is how the funds that are received will be distributed. The editors were given promises (and the leaders actively backed them up) that they would receive their percentage and that this would stir up competition because there were always more people wishing to buy advertising time with good programs, and in general this would contribute to general prosperity. But television workers assert that as a result the editors were left without a percentage of the payment for advertising time. Moreover, even the provision concerning bonuses which was signed by Kurkova began to be violated—they began to pay them irregularly, while workers of the OKTs received bonuses in an amount of five times their salary. At the same time Syroyezhin and Arkhipov—an unprecedented case—were given the right to sign checks as well.

The events developed even more curiously after that: The advertising agency Praym, in which, recall, Mr. Arkhipov supposedly did not work, received a colossal markdown from television in the amount of 35 percent

(true, some people assert that the rebate was as much as 45 percent) and, according to the agreement, the flow of advertising would not go through the GTRK advertising service, which would be the natural thing, but through Praym. The advertisers assert that the television company did everything possible to make sure that the advertising clip bypassed the TV advertising service. The explanations were very simple: Conventionally speaking, a clip costs us \$1,000, and in the Praym agency it only costs \$800.

One wonders why the television and radio company would lose these amounts. Everything is fairly simple if you keep in mind that the discount can be exclusive, only for Praym. Although Mr. Nikolskiy at a news conference asserted that this was an absolutely standard contract and that GTRK had concluded several similar ones with various advertising agencies, but so far nobody has confirmed this. And it is fairly simple to calculate the sums obtained with this "exclusive": In essence Praym is an ordinary intermediary office and it does not have to do anything except count the money. If you just take 10 percent of the billion rubles brought in by advertising each month, that amounts to 100 million rubles a month. I do not know whether this idea is brilliant from a business standpoint or primitive, but in principle it is not difficult to prove that the "commercial genius" Syroyezhin was in on this. There are many witnesses and a great deal of evidence that Arkhipov and Syroyezhin quite openly defended the interests of the Praym agency in various negotiations. And it is absolutely understandable that without support and certain guarantees from the leadership of GTRK, it would never have agreed to do business on state television.

After this, discussions to the effect that there was the idea of driving all the creative forces out of Channel 5 and creating a joint-stock company with the participation of private individuals and a company structure like that of the Moscow commercial channel "2 X 2" do not seem extravagant. In pure form this is a "rental office," which requires almost no expenditures because the air is filled either with American films or news from foreign television companies and a large quantity of advertising. "Evil tongues say that a plan for this type of joint-stock company in principle was approved by the leaders of GTRK, and Bella Kurkova intended to sign it with Poltoranan.

In conclusion I would like to return to the aforementioned piece by T. Moskvina "Do Not Shoot at Bella Kurkova!—She Is Leading As Well As She Can." The author refers to a conversation with Tatyana Bogdanova—the television editor—which took place about 20 years ago. At that time Bogdanova characterized TV as Goebbels' department. And Moskvina draws the conclusion: "The fact that our television is no longer Goebbels' department is largely to the credit of Bella Kurkova." One could agree with this conclusion in principle. But the whole problem is that if Tatyana Moskvina had conducted the interview with her namesake today she would have seen "sadder eyes" and would have heard even sharper expressions. But she seems

to think that such gloomy times as began with the arrival of Bella Kurkova, such terrible censorship and clear lack of rights for the television collective never occurred, even under CPSU leadership.

V. Bogdanov on Future of TV Broadcasting

PM0505092394 Moscow ROSSIYSKAYA GAZETA
in Russian 5 May 94 First Edition p 2

[Interview with Vsevolod Bogdanov, chairman of the Russian Union of Journalists, by Vasilii Feklyunin; date, place not given: "Let Us Look Truth in the Face"—first paragraph is introduction]

[Text] The publication in IZVESTIYA of the famous letter about television has generated a flood of letters and protests from leaders of regional television companies who are even threatening to leave the Russian Union of Journalists. Vsevolod Bogdanov, chairman of the Russian Union of Journalists, who worked in Ostankino as head of the most troublesome service—that of television programs—before he arrived in the union, answers the following questions.

[Bogdanov] I would like to explain straight away that this statement was adopted on the basis of the results of journalists' hearings which were held under the aegis of the Union of Journalists. Representatives of all television companies, both state and commercial, were invited to participate in them. Unfortunately I was not present at the actual hearings and did not participate in composing the letter. The fact that my signature is on it is a misunderstanding.

It remains a secret to me why representatives of the council of leaders of regional television companies did not participate in drawing up the recommendations set forth in the letter. The flood of emotional telegrams from the localities testifies to the differences of opinion which could have been settled at a "roundtable"

Let us look truth in the face. The state cannot continue to maintain around 100 television and radio broadcasting companies as it used to in the past. This year the budget for the functioning of television has been halved. There are no guarantees for vital funding for the future either. Consequently, ways of providing for television companies must be sought.

Forms of ownership can and should be varied. Naturally television and radio broadcasting companies in our country can be state, public, private, or whatever. Something else is fundamental: How to ensure that journalists from regional and republic television and radio broadcasting companies do not lose control of the situation. We must achieve a situation whereby it is precisely the journalists who become the bosses in their own editorial offices, on television and radio airtime, and on the pages of newspapers and journals. So that they could turn from being hired workers into the owners of television and radio programs and newspaper columns, and so on. And if this is to happen, then they must be ensured the

possibility to participate on equal terms in the process of privatization and turning enterprises into joint stock companies. That is why a law is needed.

Yes, there is a real danger that television and radio broadcasting companies, particularly regional ones, may be contracted out [angazhirovany], bought lock, stock, and barrel [na kornyu], corrupted, and alienated from journalists' collectives. The Union of Journalists will fight against this. We consider it to be our duty to fight the ugly phenomenon of the parasitic existence, on the body of state television and radio companies, of various commercial structures, which are as a rule run by showmen. They use state television, which is paid for out of the pockets of television viewers, that is, taxpayers, to their own ends: They gain huge capital from advertising and contracting. In these cases journalists have to make bargains with their professional conscience, otherwise they would be left without any work.

[Feklyunin] So it works out that a number of television and radio companies, including the largest one, Ostankino, are only symbolically "state" companies, but essentially, as the letter published in IZVESTIYA accurately notes, they are "private carriers using state transportation."

[Bogdanov] My viewpoint is that the essence of the problem is not in the name or even in the ownership of the company, but in the content of the airtime.

Speaking of commercial television, we do not have to explain what it can be like. The owners of such a television channel naturally do all they possibly can (though within the framework of the law) to get profits. This is perfectly explicable—it is business. The consumer, the viewer, has the right to acquire this commodity, that is, to watch a program or not. The editorial office collective has the right to sell its output.

But there is another kind of television in the world. People's television, serving the people, television as a means of contact with the people, a way of expressing public opinion. In the majority of countries it is financed by the people themselves, the viewers. People pay for using a particular channel. And naturally, those who pay in a certain way control the television, so that its programs do not go beyond the framework of generally recognized morals, and so that it is expressing the viewers' interests.

For instance, in Italy there are three RAI channels—that is the state-national television. And another three have been created by the notorious Berlusconi. Naturally, these channels are of a commercial nature and serve their boss. But Italy's private television has been forced to adapt to the best models of Italian television art in order not to lose viewers.

In our country the state apparently allocates funds to maintain the state television and radio broadcasting companies. But after all, this is our money, this is the money of the Russian citizens, the taxpayers. However,

we cannot control the way this money is spent or influence the content of the programs. Therein lies the essential difference between our television and foreign television.

Unfortunately, Russian television is gradually turning into an arena for games of chance with presenters-brokers manipulating wads of banknotes and expensive prizes, and gaudy advertisements. This irritates viewers. We are also exasperated by the abundance of various preachers from abroad, magicians, soothsayers, and astrologers. After all, who stands to gain from all this charlatanism on the television screen, who earns money from this! There is no country in the world with such a market-style television, in the direct sense of the word, as we have.

[Feklyunin] When I was in Japan recently, I watched programs on 12 television channels. And I did not see any scenes of violence, killings, so-called oriental combat, or sex on any of them. I would call Japanese television humane television activity. Although the majority of the companies are nonstate companies, moral monitoring of them by the public is very strict. In Germany, Sweden, and France television is designed to serve the interests of society—it informs, educates, trains, and entertains.

[Bogdanov] I would add that any country which respects its citizens bans base American blockbusters on television, who, thanks to our own television, have become a school of depravity for young people, a school of cruelty, crime, and bad taste. The worst thing is the pernicious influence of such television on our children.

It seems to me that it is high time for the complete reform of Russian television. You cannot change anything by half-measures alone. A concept of Russian national television based on the idea of Russia's spiritual rebirth is needed. And all studios and companies, regardless of form of ownership, should build their program policy within the framework of the nationwide concept.

We are proposing to declare an open competition for the creation of a law "On Russian Television and Radio." Drafts will have to go through an examination in republic and regional television and radio broadcasting companies before being submitted for discussion by the State Duma.

The Russian Union of Journalists is putting forward an initiative: To create a professional television league which would include both employers—broadcasting television companies—and producers of products for broadcasting. Such an organization has already been created by the publishers and chief editors of Russian newspapers.

A league would help protect the interests of the creative collectives of television and radio broadcasting companies and have an authoritative influence on the elaboration and adoption of the relevant law, elaborate the principles of the privatization of television and radio

broadcasting and turning it into joint stock companies, and would have levers with which to control the use of state licenses on television and radio broadcasting.

In the first ten days of May, we intend to hold an international conference on the problems of radio and television. We are going to invite leaders of all television and radio companies, including regional ones, to participate. The Union of Journalists plans to ensure that all participants in the conference are received and are given accommodation. An exchange of opinions will help find the sensible path along which Russian television should develop, remembering the main principle: "Do no harm!"

Journal Appeals to Readers for Aid

944F0611D Moscow LITERATURNAYA ROSSIYA
in Russian No 14, 8 Apr 94 p 16

[Text] LITERATURNAYA ROSSIYA is in danger!

Deprived of state subsidies, with no other means of financial support, and put in the position of a "blockade-raiser," independent LITERATURNAYA ROSSIYA is experiencing severe financial difficulties. The editorial team has done everything within its power to weather the constant rise in the exorbitant prices of printing services, newsprint, and so forth. Whatever cost thousands yesterday already costs a million today, and whatever used to cost a million now costs 8-10 million.

We are appealing for aid from all those who grew to love and need LITERATURNAYA ROSSIYA in the last few years. The disappearance of a newspaper which has consistently defended the principles of Russian statehood and state dignity, and which is now in the midst of a fierce confrontation with all those who are disgracing and destroying Russia, will be an irretrievable loss.

This loss would be another example of the annihilators' skill in dislodging the strong props of Russia's substructure and the foundation of our common Russian home.

We hope we can rely on the support of entrepreneurs and businessmen in Russia and on the empathy of our readers.

The commercial account of the editorial offices in the Business Commercial Bank is MFO 201638 IPO Writers (with the notation: for LITERATURNAYA ROSSIYA).

Our readers in any part of Russia and the CIS can transfer whatever amount they can spare to that account. Muscovites should transfer funds to the following: Business Commercial Bank, MFO 44583478, acct. 74, 129110 IPO Writers (indicating: for LITERATURNAYA ROSSIYA).

Newspaper Appeals for Aid**Deputies To Aid SOVETSKAYA ROSSIYA**

94F0634A Moscow SOVETSKAYA ROSSIYA
in Russian 15 Apr 94 p 4

[Unattributed article: "We Must Survive Along With You"]

[Text] And so today's issue of SOVETSKAYA ROSSIYA is being published with money collected from the readers. But the debts remain—250 million to Pressa Publishing House and many millions to paper combines, printing offices, and partners in the delivery of the newspaper. How did these debts arise?

It is known that through the actions of the former Ministry of Information and the Press, subsequently declared illegal by the court, publication of SOVETSKAYA ROSSIYA was halted for two and a half months during the October-December 1993 period. The editorial office sustained large losses as a result of the interruption of the subscription campaign during the first half of 1994 and was deprived of income from advertising and retail sales—on the whole the losses for the end of 1993 exceeded R1.3 billion rubles. In addition, the working account of the editorial staff was frozen for a long time by an order of the Central Bank, which was deemed by the High Arbitration Court to be invalid—thus arose a string of debts and unjustified fines.

At the same time we know that our readers need the newspaper very much—soon it will largely have restored its readership: The number of subscribers has exceeded 270,000 and the overall circulation is approaching a half million. Since April, 18,000 subscribers have joined us. And it is becoming increasingly expensive to publish the newspaper. We now spend R25-R30 million to publish one issue. And this is—for now! How can this be?! Let us consult.

Contribution of State Duma Deputies

The Communist Party of the Russian Federation faction of the State Duma also decided to render aid to SOVETSKAYA ROSSIYA. Literally during one break between sessions Tatyana Astrakhankina filled out a "notice of support":

V.M. Zelenin, Yu. P. Ivanov, A.F. Potapenko, N.G. Bindyukov, V.N. Volkov, V.D. Filomonov, L.V. Oley-nik, T.V. Pletneva, Anat. Vas. Ionov, T.A. Astrakhankina, L.N. Petrovskiy, A.N. Mikhaylov, A.I. Lukyanov, V.V. Semago, Ye.S. Krasnitskiy, S.N. Reshulskiy, I.M. Bespalov, A.N. Gordeyev, G.A. Zyuganov, V.I. Ilyukhin, O.O. Mironov, O.A. Shenkarev, K.A. Tsiku, G.N. Seleznev, O.O. Begov, V.S. Shevelukha, V.I. Nikitin, V.V. Chikin, V.A. Bayunov, V.S. Martemyanov, Ye.A. Kosterin, N.N. Goncharov, V.A. Bokov, T.M. Gudima, A.N. Zaytsev, A.V. Aparina, V.I. Sevastyanov, V.P.

Kartashov, V.I. Zorkaltsev, V.A. Frolov, Yu.K. Seve-nard, I.M. Bratishchev, V.A. Kovalev, A.K. Frolov, A.A. Ponomarev.

The deputies of the faction Communist Party of the Russian Federation were joined by Hero of Russia Magomed Tolboyev.

Wednesday evening the deputies turned over R520,000 to the editorial office.

SOVETSKAYA ROSSIYA Appeals to Readers

944F0634B Moscow SOVETSKAYA ROSSIYA
in Russian 15 Apr 94 p 4

[Appeal by A. Shakhnazarov: "A Suggestion to All: National Support for the National Newspaper"]

[Text] I received the last issue of the newspaper SOVETSKAYA ROSSIYA on Tuesday, 29 March 1994. As I learned, the newspaper is not being published because of the indebtedness of the editorial office for printing services and paper. But perhaps we readers can help. Let us calculate.

The newspaper's circulation is reaching 470,000 copies and in all probability a good half of these are direct subscribers—that is 235,000 people.

I am firmly convinced that if the editorial office were to appeal through the mass media to the subscribers at this critical point IF ONLY FOR R1,000 EACH, this would amount to: $235,000 \times R1,000 = R235 \text{ million}$. It would already be possible to retire some of the debts.

...Because if I do not receive my SOVETSKAYA ROSSIYA it is tantamount to cutting off my oxygen supply.

On 12 APRIL 1994, at such a critical time for the newspaper I decided to go directly to the editorial offices and contribute R5,000 to the fund to help the newspaper.

[Signed] A. Shakhnazarov
Odintsovskiy Rayon
p/o Staryy Gorodok
Moscow Oblast

We invite every subscriber and every reader of SOVETSKAYA ROSSIYA to contribute no less than R1,000-R2,000 to the fund to aid the newspaper. This will help it to come out regularly.

Thank you for your help, friends!

A reminder of our bank account number:

125137 Moscow, 24 Pravda Street, working account 362902, correspondent account 237161100, MFO 201843 in the Transportnyy Branch of the MIB—for the newspaper SOVETSKAYA ROSSIYA

Telephone (095) 257-23-12

Yakovlev on OPSHCHAYA GAZETA's First Year

944F0665A Moscow OBSHCHAYA GAZETA
in Russian No 16, 22-28 Apr 94 p 1

[Article by Yegor Yakovlev: "A Handshake in Passing"]

[Text] It is a line from Levitanskiy, I believe: "A year has passed, like no time at all, we did not even have a chance to talk..." It comes to mind over and over again specifically today, on the day of a more than modest anniversary. It has been one year since OBSHCHAYA GAZETA renewed its publication. To those two issues which appeared in the days of the putsch, when the unification of the printed word and the people which had been growing since '85 reached its highest point, 39 more issues have been added. They began their journey as of April of '93, in the time of opposition and tragic discord.

All these issues were conceived to be more interesting than they turned out. They were conceived as a dream and, like a dream, they were not fully realized. I cannot restrain myself from saying the most banal thing: How quickly this year has flown! And we really did not have a chance to talk: Only an inconsequential part of what we wanted to say when we first met at the OBSHCHAYA GAZETA editorial office has been realized.

We began by adopting three precepts.

Not a single intelligent person shall be left aside. The newspaper prides itself on its authors. But their circle could have been broader. There is an abundance of intelligent people in Russia.

To create without destroying. We strived to analyze the current without breaking the ties of the times, without depriving the readers of their greatest valuable—their life experience. After all, how much can be achieved in a place where, for the sake of a career, they are ready to divest themselves of the past?

To get to know ourselves and the times. And here we were not overly successful. It still remains in question: What kind of society are we creating, and how will each of us live in it?

Then again, there is still plenty time to sigh about what we did not have time to do. On the day of the anniversary, we should speak about that which has been accomplished. The newspaper is being published! For our times, that in itself is a significant achievement. The editorial staff consists of people who are devoted to the newspaper and friendly with each other. This too is a rarity nowadays. The newspaper has a readership, and people write to us. I can testify to the fact that, in 40 years of working on newspapers, this is the first time I have encountered such well-prepared readers, who formulate precisely and with ease that which concerns them.

No, we cannot brag about our circulation—alas!, nor about the fact that we shout louder than anyone else. The

most important thing is that we have been able to foresee, to sense the attitudes in society which have become ever more obvious in the course of the year. We publish reflective articles to counterweigh the political prattle which is intolerable for people engaged in important matters. We suggest that we not waste time waiting for ideal heroes to come to power. It is more useful to judge about what is going on from moral positions, for all to hear, without hiding the truth about the leading persons and executors. In returning the name "Obshchaya" [common] to the newspaper, we understood that the greatest deficit of our times is the deficit of commonality with the states surrounding Russia, and within it—commonality between people. The current general propensity toward reunification, toward accord, which is being raised up by the popular wave in spite of the calculations of various politicians, confirms the fact: Here too, we were not wrong.

Commercial Consolidation at Ostankino Viewed

944F0665B Moscow OBSHCHAYA GAZETA
in Russian No 16, 22-28 Apr 94 p 13

[Article by Irina Petrovskaya: "Will We Be Able To Force the Genie Back Into the Bottle?"]

[Text] Last week an event occurred whose necessity had been long reiterated by many of those people who understand even a little bit about the economics of television. The event was a milestone, revolutionary, worthy of press conferences and widely broadcast announcements. Finally, an effort will be made to somehow regulate the chaotic and uncontrolled commercial activity of "Ostankino"—the source of many and all kinds of abuses. According to the most modest estimates (which were used, specifically, by the Presidential Control-Inspection Administration, which conducted an investigation of the company), "Ostankino" underreceived over 60 billion rubles (R) last year. They disappeared without a trace, settling in someone's private pockets. The average cost of a minute of advertising today is \$5,000. There are 100 such minutes at "Ostankino" in the course of a day. That means it should receive somewhere on the order of half a million dollars a day. Yet in fact it receives \$600,000 - \$700,000 a month!

The heads of the company (different ones and in different periods) sooner or later came to the idea of centralized advertising. It is true, there were always opponents who tried to persuade the "chiefs" that once the genie had gotten out of the bottle, it would be impossible to force him back in. The scope of business was too great, there were too many people and structures interested in the real possession of advertising time. There was too much money involved.

Despite all the "buts," the current leadership of "Ostankino" has nevertheless decided to force the genie back. It is doing so in a surprisingly quiet, if not to say secretive, manner. In the week which has passed since

the moment the decision was adopted, there has not been a single interview or a single piece of information in any of the newspapers!

Obviously, this really is a delicate matter, if the respected and competent people to whom I turned for explanations hesitated and avoided direct answers, while sceptics agreed to talk exclusively in a confidential manner.

On the whole, all of my "consultants" agreed on one thing: The creation of a single holding company which would sell all the advertising time on channel one at firm prices is a good idea. It is specifically according to such a scheme that many Western companies exist. However, in the West they went to this scheme systematically and gradually. For us, however, the realities are different: "Ostankino" produces only one-fifth of the entire product. The remainder it presently buys from independent television companies, paying them in advertising time. They, in turn, sell this time and decide for themselves how to spend the money they receive. They produce cultural programs, which are unprofitable and to which they cannot tempt advertisers, at the expense of profitable commercial programs.

Now "Ostankino" intends to settle accounts with them in real money, obtained from the sale of advertising time. And here is where the questions and the doubts arise: Will programs which are educational and cultural but unprofitable and not attractive to advertisers disappear from the air? Will the new "master of the money" dictate to "Ostankino" what to buy and what not to buy? Why, for example, should it buy an expensive domestic program when it can buy a cheap movie in the West, which will bring a huge profit? From the standpoint of business, this is normal. Yet from the standpoint of creativity, culture, and the interests of society? When the advertising holding company receives the first real profits, will it not be interested in further increasing them by means of reducing expenditures? After all, the stockholders—private firms—did not take on this endeavor out of charitable convictions?! They have to pay off "Ostankino," and to "cook up" something for themselves, if you will excuse the expression!

I have heard apprehensions to the effect that the advertising holding company may go from being a mediator to being a contractor, determining the company's program policy. (It is the same principle: He who pays calls the tune). Then channel one will simply collapse, turn into a broadcaster of third-rate films, "soap operas" and advertising clips.

Moreover, the skeptics say, "Ostankino" is a bottomless pit which is capable of swallowing up any amount of money, millions and billions. Just hand it over. Since there has been no reorganization of the company's outdated structure, and the budget deficit remains high, "Ostankino" will use the money received from commercial activity primarily for continuing to feed its overly inflated staff and its administrative apparatus, and to patch up the numerous holes and breaches. Where is the

guarantee that there will be enough left over to settle accounts with private companies in a timely manner (and at a real price!)? There is no such guarantee.

Well, and finally, the main thing: The changeover of "Ostankino" to stockholding with the participation of the television producers themselves (which is natural) has stopped. It has gotten bogged down somewhere at the level of the president's apparatus, and there is almost no hope left for it. "Ostankino," while in fact remaining state-owned, is in essence even now being changed over to shareholding. Moreover, the piece being auctioned off is its most profitable and choice one—the advertising space. In principle, there is nothing else to auction off. "Ostankino" does not own anything but air time—neither equipment, nor its own building, nor the desks in the offices, nor even the lights in the restrooms. All this belongs to an entirely different, independent organization—the Television Technical Center. Now even the advertising time has an owner—a strong, economically well-grounded monopolist which unites six advertising agencies. All the other agencies (and there is a great multitude of them in Moscow alone) will either buy advertising time from it, or will perish (which is improbable), or will begin a struggle. And we know what happens when spheres of influence are divided up. However, we do not want to think about this. First of all, because for "Ostankino" this is an experiment. After all, it is never too late to return to the former scheme. Secondly, all the apprehensions which have been expressed are in the category of versions and suppositions which, nevertheless, must be "sound-tracked." After all, it is better not to allow something than to try to correct it later. For now, it has not yet begun.

New Ostankino Advertising Director Interviewed

944F0665C Moscow OBSHCHAYA GAZETA
in Russian No 16, 22-28 Apr 94 p 13

[Interview with Sergey Kuvaldin, general director of the joint-stock company "Reklama-Holding" ["Advertising-Holding"], conducted by Anna Kachkayeva: "'Ostankino' Enters the Era of a New Advertising Policy"]

[Text] Henceforth, the right to place advertisements on channel one air time is being handed over to the closed type joint-stock company "Reklama-Holding" ["Advertising-Holding"].

Its founders are comprised of large advertising agencies, with the controlling packet of stock (30 percent) belonging to the "Ostankino" television company. The rest of the stock is distributed between the founders as follows: The agency "Premier SV," "Inter ViD," "Video International"—15 percent each; "Maxima"—12 percent; "LogoVaz press" and "Oster"—6.5 percent each. Professionals in the advertising business worked on developing the model for the holding company. Foreign experience was also taken into consideration, and specifically the practice of creating television advertising

agencies on the state channels of Germany and France. Aleksandr Dmitriyev has been appointed president of the a/o [joint-stock company] "Reklama-Holding," and Sergey Kuvaldin—its general director.

Our correspondent spoke with the latter, and asked him to explain in greater detail about the new commercial structure.

[Correspondent] Will there be a principle change in the life of the first state channel with the creation of the holding company, and what will the viewer get as a result of its activity?

[Kuvaldin] The creation of the holding company is the first important element in the new economic mechanism which is gradually being developed at "Ostankino." Its main goal is the centralization of advertising. What is the advantage? A singular program and price policy is established, dumping (pricing below production cost) is not permitted, and the uncontrolled placement of advertisements on the basis of barter is discontinued. The quality of the advertising product is improved. Moreover, "Ostankino" will not only get a percent of the profits from placement of the advertisements, but it will also receive a three-month advance on the funds which it so badly needs for production of its programs. The holding company will pay out in advance the sum at which "Ostankino" estimates its advertising time for the quarter. The viewer will also not lose out. At present, I fully understand his irritation when there are 15 minutes of advertising in a row—at the end of a broadcast, between broadcasts, and at the beginning of the next broadcast. Now we will be able to build an advertising schedule which does not exhaust the television viewers. Advertising should not take up more than 15 percent of the air time, and will be distributed equally throughout the course of the day.

This means that some broadcasts will not have any advertisements at all, while in those such as "Field of Miracles" their presence is not only justified, but also economically expedient. Advertisements for alcoholic beverages and tobacco products may be aired during the evening hours. It is true, I must concede—significant changes will not take place right away. We must not forget that "Ostankino" has already concluded agreements until the end of the year. Naturally, "Reklama-Holding" will have to work in a mixed regimen, fulfilling the former obligations while trying to mildly implement its own policy.

[Correspondent] How will the holding company's price policy be formulated?

[Kuvaldin] The most preferable scheme is the following: "Ostankino" appraises its advertising time and defines its amount. This advertising time is "cut up" into packets, which include "prime" and "non-prime" time. These packets are then put up for auction, with the starting price being the "Ostankino" price plus 10-15 percent. Understandably, it is profitable for the holding company to sell the advertising time at a higher price.

First of all, because the founders expect dividends, and secondly because it is necessary to justify the expenditures for maintenance of the agency. The arithmetic here is simple: The higher the price at which the holding company sells the advertising time, the greater profits both the joint stock company and its founders will receive. However, it is inexpedient to raise the price endlessly, or it will be impossible to find buyers. By the way, one of the tasks of the joint-stock company is to help "Ostankino" reach real advertising valuations.

[Correspondent] What will be the relationship between "Reklama-Holding" and independent producers working at channel one?

[Kuvaldin] Their interests, undoubtedly, must not be infringed upon. The producer must receive as much as his program costs by estimate and in accordance with its rating. If we proceed from notions of profit, then the holding company is interested in a good channel and quality broadcasts. A dull and boring channel cannot have expensive advertising, and expensive and high quality advertising is one of the means of reducing its volumes.

[Correspondent] There are mixed feelings at "Ostankino" about the creation of the joint-stock company. What, in your opinion, is the reason for this?

[Kuvaldin] As in any new endeavor, they doubt its success simply because we have never had anything like it before. Moreover, the centralization of advertising touches upon the personal, corporative interests of some workers at "Ostankino." Small advertising services in the studios are being cut, and the company itself will change its relations with its producers—studios and associations. "Ostankino" will buy broadcasts from them, and the number of purchased broadcasts will determine the staff numbers of the studios, their financial condition and their capacity for providing their associates with social benefits.

Federal Employment Service on Unemployment Level Forecast for 1994

944E0785A Moscow NEZAVISIMAYA GAZETA
in Russian 28 Apr 94 p 4

[Article issued by the RF [Russian Federation] Federal Employment Service: "Government Forecast of Growth in Unemployment Publicized; In May There Will be 1,714,000 Persons 'Officially' Unemployed"]

[Text] On 1 April 1994, the State Employment Service registered 1,363,600 citizens who were not engaged in labor activity, among those—1,083,400 were unemployed. For March the number of citizens not engaged in labor activity increased by 97,200 as compared with the preceding month, and the number of unemployed—by 94,000, respectively.

On the whole for the first quarter of 1994, the number of citizens not engaged in labor activity and unemployed increased by 1.3 times.

Citizens laid off from enterprises, organizations and institutions comprise 25.1 percent of the overall number of those not working.

The level of unemployment (ratio of the number of registered unemployed to the number of the able-bodied population of working age) comprised 1.3 percent for Russia as a whole on 1 April 1994. For the first quarter of the current year, the level of unemployment rose by 0.3 percent.

The number of job vacancies reported to the State Employment Service increased by 14,500 for March, and on 1 April comprised 289,400. Eighty-three percent of the vacancies were for blue-collar workers, and 17 percent—for white-collar workers.

On the average for Russia there are 4.7 persons not engaged in labor activity (including 3.7 unemployed) for each vacancy reported to the State Employment Service. In a number of regions the pressure on the labor market is characterized by great tension. For example, in the Ingush Republic there are 180 out-of-work citizens for each vacancy, in the Aga-Buryat Autonomous Okrug—105; in Yaroslavl, Pskov and Sakhalin Oblasts, the Chuvash Republic and the Nenets Autonomous Okrug—

from 30 to 45, and in Bryansk Oblast, the Republics of Mari El, Kalmykiya, Adygeya, Altay and Buryatiya—from 21 to 27 idle persons.

There were 26,800 persons participating in public works in March of 1994. On the whole for the first quarter of this year, the number of public works participants comprised 40,800 persons, which is 1.8 times greater than the same period last year.

The overall number of citizens undergoing training in a new profession at the direction of the employment service comprised 88,000 persons in the first quarter of 1994. This is two times more as compared with the corresponding period last year.

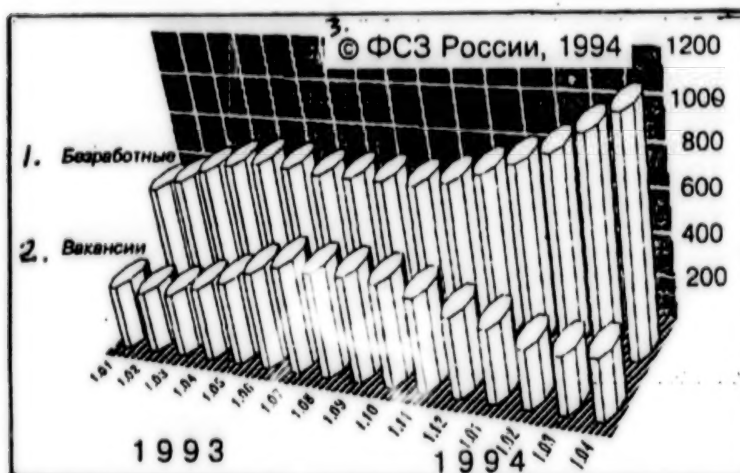
In January-March of 1994, 26,200 unemployed persons exercised their right to early retirement, including 8,500 in March.

[NEZAVISIMAYA GAZETA note] According to the forecast of the Government Center for Economic Market Conditions, in May the number of persons not engaged in labor activity should exceed the 1.5-million mark, and in June it should reach 1,714,000. The numbers for unemployed persons are forecast by the center as being 1,301,000 and 1,425,000 persons, respectively (see table). According to this forecast, in June there will be more than 4 percent unemployed in Pskov, Kostroma, Vladimir and Yaroslavl Oblasts, the Udmurt Republic, as well as in the Republics of Kalmykiya and Dagestan.

Forecast of basic indicators of the labor market on the whole for the Russian Federation in 1994 (thousand persons)

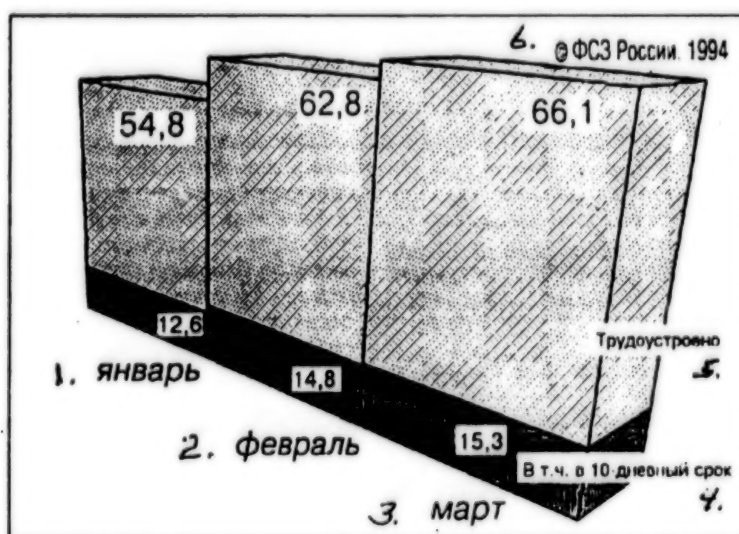
	January report	February report	March report	April estimate	May forecast	June forecast
Number of citizens registered by the employment service who are not engaged in labor activity	1165	1266	1364	1472	1583	1714
Listed as unemployed - total	894	989	1083	1188	1301	1425
unemployed, idled by lay-offs from enterprises and organizations	236	252	268	285	357	428
Unemployed persons receiving benefits	569	633	713	806	882	970
Availability of open jobs and vacant positions (thousand positions)	283	275	289	244	206	187
Level of unemployment (%)	1.07	1.18	1.29	1.41	1.54	1.68

Forecast of the RF Government Center for Economic Market Conditions



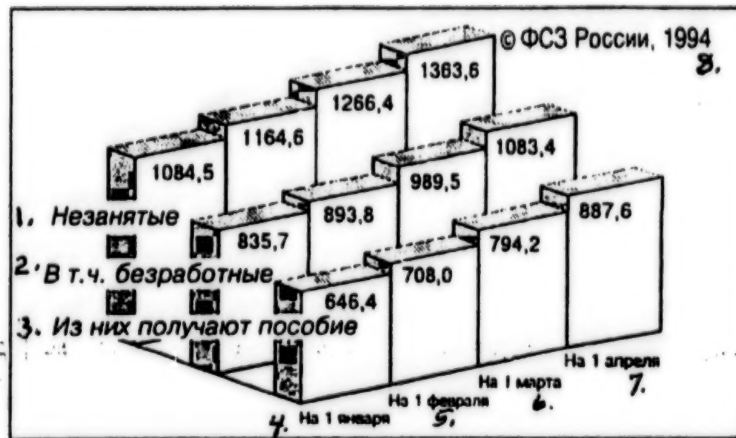
Opposite direction of movement in number of unemployed persons and vacancies (thousand persons) continues

Key: 1 - Unemployed persons; 2 - Vacancies; 3 - Data of Russian Federal Employment Service, 1994



Increase in number of employed persons continued in the first quarter, but gradually (thousand persons)

Key: 1 - January; 2 - February; 3 - March; 4 - Including in a 10-day period; 5 - Employed; 6 - Data of Russian Federal Employment Service, 1994



Official statistics on persons not engaged in labor activity, unemployed and receiving benefits (thousand persons)

Key: 1 - Persons not engaged in labor activity; 2 - Including unemployed persons; 3 -Of those, persons receiving benefits; 4 - On 1 January; 5 - On 1 February; 6 - On 1 March; 7 - On 1 April; 8 - Data of Russian Federal Employment Service, 1994

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